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TRANSLATIONS ON WESTERN EUROPE

No. 1153

THE DANISH ECONOMY: A PROJECTION  
FOR THE EIGHTIES

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## TRANSLATIONS ON WESTERN EUROPE

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### THE DANISH ECONOMY: A PROJECTION FOR THE EIGHTIES

Copenhagen BERLINGSKE TIDENDE in Danish 14 Jul 77-30 Jul 77

[Article by Frank Dahlgaard]

[14 Jul 77 pp 1, 9 (I)]

[Text] If in the next 10 years Denmark is to restore full employment and at the same time eliminate the deficit in the balance of payments it would require an economic policy that could scarcely be carried out in practice. That is clear from a new "perspective plan balance sheet" appearing in BERLINGSKE TIDENDE today as the first in a series of articles on the future prospects of Denmark.

Since the last perspective plan (PP II) came out 3 1/2 years ago, economic and political conditions in Denmark have changed drastically. The high price of oil, the high unemployment rate and the many parliamentary parties are just examples of the changed circumstances. Therefore there is a need for a new perspective plan -- a PP III -- outlining the future prospects of Danish society as they look today. BERLINGSKE TIDENDE's PP III which is being printed in the next couple of weeks is an attempt to sketch the basic outline for a new perspective plan. The articles are based partly on talks with a number of the people who helped write Perspective Plan II and partly on the pile of reports and figures that have appeared since PP II came out in December 1973.

The "perspective plan balance sheet" appearing in BERLINGSKE TIDENDE today shows that if we are to have a balanced economy in 1987 25,000 new jobs must be created in each of the next 10 years.

Future articles will discuss such things as whether Denmark can continue to incur foreign debts, the consequences of a continued inflation up to the year 2000, the consequences of the current population development in Denmark, whether or not Denmark will be "socialized" by the year 2000, what conditions will be like for the Danish labor market in the 1980's and 1990's and how things will be on the capital market. Development possibilities for specific major industries will be dealt with, including a

discussion of development trends in the public sector. The question of whether tax pressures will continue to increase in Denmark will also be taken up.

The table below shows the results of the new perspective plan balance sheet for the Danish economy. The figures show what will be required of the Danish economy if we are to have full employment restored in Denmark and at the same time establish a balance in international trade payments within 5 years (1982) or 10 years (1987) respectively. Source: the business economy section of the Industrial Council.

Key figures for the Danish economy:	Economic balance in	
	1982	1987
Number of new jobs per year (thousands)	35	25
Annual growth of national product (percent)	5 1/4	4 3/4
Annual growth in imported goods (percent)	6 1/2	5
Annual growth in exported goods (percent)	10 1/2	7
Annual improvement in payments balance (in billions of kroner)	2	1
Maximum foreign debt before de-escalation (in billions of kroner)	68	93

Is it at all possible to establish a balance of payments and at the same time restore full employment?

Theoretically, yes. A new "perspective plan balance sheet" prepared by Industrial Council economists in the early summer of 1977 shows what would be required of the Danish economy if this goal is to be met within 10 years. However the requirements are so tough that it seems doubtful that we can achieve economic balance in Denmark by the end of the 1980's, practically speaking.

#### Conclusion of PP II

Perspective Plan II (PP II) from December 1973 brought a "balance sheet," the essence of which was that balance could be created in the Danish economy if these four conditions could be met:

1. The rate of increase of public expenditures must be reduced substantially.
2. Housing construction must be kept at a lower level than that of the early 1970's.
3. The competitive capacity of business must be strengthened.

4. Total savings in the country must be increased considerably.

Since PP II appeared the first two conditions have actually been met -- the growth of the public sector has been checked far more than some of the authors of PP II would have dreamed possible and since 1973 housing construction has been at a clearly lower level than the late 1960's and early 1970's.

New Conditions

Even so the task of creating balance in the Danish economy is clearly more difficult today than it was when PP II came out in 1973. That is because:

We no longer have full employment but a gigantic rate of unemployment;

the deficit in the balance of payments is much larger today than the figure used as the basis for the PP II balance sheet;

Denmark's terms of trade are actually worse, thanks to the oil crisis in 1973-74;

Denmark's competitiveness in relation to foreign countries has weakened due to altered exchange rates and unusually sharp increases in Danish wages in the years following the oil crisis.

It can be added that the savings deficit in Denmark today is larger than ever. But when PP II came out we only had a savings deficit in the private sector. Today, because of the big deficit in the national budget, we also have a savings deficit in the public sector. In other words investment expenses today exceed savings in both the public and private sectors. As we all know we make up for the missing savings funds by borrowing abroad.

Since the "big balance sheet" in the 1973 perspective plan, a revised balance sheet was issued in December 1975. It was the economists in the business economy section of the Industrial Council who made their own "PP revision."

Now these economists have come up with a new "PP III" balance sheet that shows what conditions must be met if in a longer or shorter period of time we are to 1) restore full employment and 2) at the same time eliminate the deficit in the balance of payments.

The results of two of the new PP III balance sheets are shown in the table printed above.

## Exports Up 10 1/2 Percent

One balance sheet clarifies what would be required if the Danish economy is to level off the balance of payments and achieve full employment within the next 5 years. The other balance sheet assumes a balanced economy to be achieved in the next 10 years (by 1987).

If balance is to be achieved by 1982 it will be necessary to create 35,000 new jobs, net total, in each of the next 5 years. Of these, 20,000 new jobs will be needed to take care of unemployment while the remaining 15,000 will be needed to take care of the net increase in the labor force. Industrial economists have estimated that this requirement for new jobs along with a projected increase in production per man per year of 3 3/4 percent would mean that production in Denmark (GNP) would have to rise 5 1/4 percent annually. If economic growth is less than that full employment cannot be achieved in 5 years.

## New Balance Sheet

But a production increase of 5 1/4 percent would bring along with it an increase of 6 1/2 percent in imports, it appears from the balance sheet of the industrial economists. If the goal of evening out the balance of payments in 1982 is to be met, therefore, it would require an annual export growth rate of a whopping 10 1/2 percent. Such a large requirement for exports would in turn require an annual increase of 16,000 in the labor force of the export industries. In the entire balance of payments sector (i.e. both exporting and importing competitive firms) employment would have to increase by 25,000 people annually. Otherwise a balance of payments cannot be attained by 1982.

The man behind the Industrial Council's new "PP III balance sheet," under director Jorgen Hansen, expanded on the requirements for the Danish economy: "Full employment and a leveling off of the balance of payments in 5 years would call for an annual growth of 12-15 percent in purely industrial exports. That corresponds to the rise in industrial exports during the best years of the 1960's. At that time however our competitive capacity was better than it is today. Thus if our economy is to go in the direction of balanced conditions we must have an economic policy that improves competitiveness. But there is no need to reduce consumption by tightening up financial policy. Prior to 1974 when we had full employment and thus had a hard time increasing production further we had to limit demand. Now, however, the situation is that we have sufficient production resources -- including labor. Therefore a balance between production and demand should be created by increasing production, not by reducing demand."

That is what the originator of the new perspective plan balance sheet had to say.

## Not Realistic

The question remains: are the requirements of export growth, improvement of competitiveness and the creation of new jobs, as outlined by the industrial economists realistic? In other words, is it realistic to think that we can achieve a balance in trade payments and have full employment as early as 1982?

Many economists feel it is not. The entire balance sheet as outlined is based on such a drastic improvement of Danish competitive capacity that it appears to be politically unattainable. However under director Jorgen Hansen feels personally that the task is not a hopeless one. If the foreign market continues to rise steadily, a balance in our economy could be created within the 5 year period. Jorgen Hansen referred to the 7-point plan issued by the Industrial Council.

## Three Courses

Independent economists are considerably more skeptical about the effects of the industrial plan and the possibilities of implementing it. They consider it quite doubtful that we can in practice arrive at an exchange balance and full employment even in 10 years. That too would require a substantial improvement of Danish competitiveness. Such an improvement could conceivably come about in three ways: 1. by means of a devaluation of the krone; 2. by means of a very tough and extended income policy; and 3. by giving selective subsidies to competing firms.

A devaluation of the krone by the amount required, about 25 percent, however would start off a wave of price increases that would make it practically impossible to keep wages even somewhat stable.

A long-term tough income policy would be impossible to implement. Events since the compromise of August 1976 have shown that.

## No One Wants to Pay

An artificial reduction of wage and interest costs in export branches with the help of state subsidies is hardly a viable course either. For big subsidies to business must be financed either by higher taxes and imposts or by public savings. And the situation in the Danish society is that no one wants to pay. Higher taxes mean new wage demands, as the chairman of LO [Danish Federation of Trade Unions] himself said.

The conclusion that must be drawn on the basis of the new PP III balance sheet is not encouraging: achieving a balance in trade payments and at the same time creating full employment in the 1980's requires an economic policy Denmark cannot carry out in practice. Therefore as far as we can



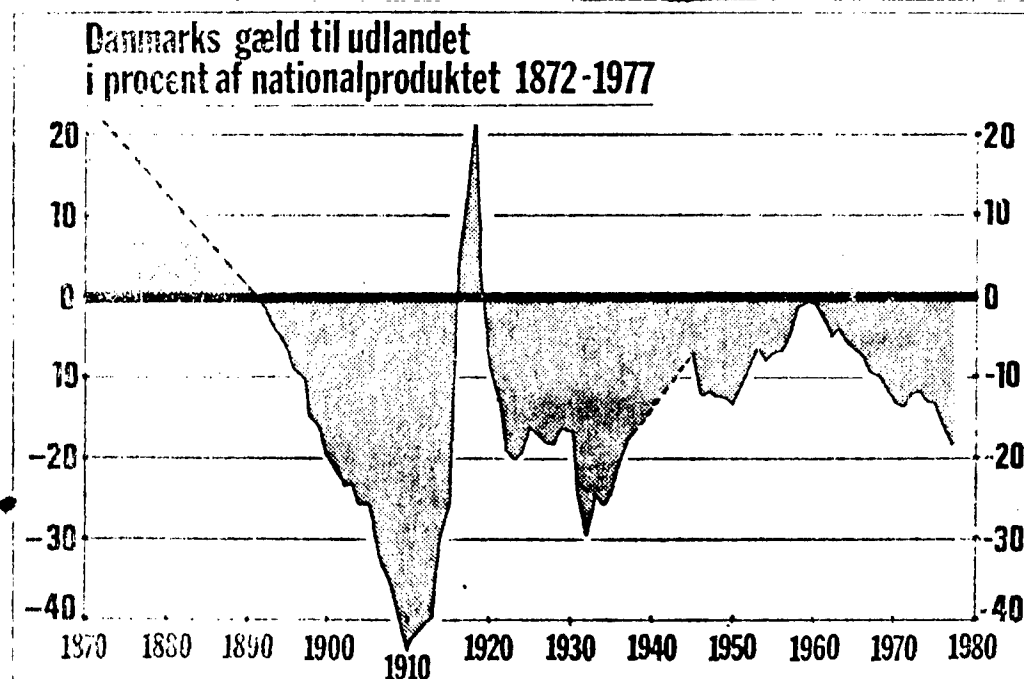
judge we will have to go on living with enormous unemployment and a balance of payments deficit in the 1980's as well.

[15 Jul 77 p 11 (I)]

[Text] Can Denmark continue to be an indebted borrower nation right up to the year 2000?

The answer is an unequivocal yes!

To be sure it has been said so often that "Denmark cannot go on living with a deficit in the balance of payments and mounting debts" that this has come to be publicly regarded as an obvious truth. Nonetheless the fact is that Denmark can very well continue its course of deficits and borrowing in the foreseeable future -- as long as borrowing abroad is not done too rapidly. Both historical facts and some simple arithmetic (outlined below) support this statement. It is also corroborated by remarks made by some of the nation's more thoughtful economists.



Denmark's Foreign Debt in Percentage of National Product 1872-1977

Except for a few years during World War I Denmark has been in debt to other nations throughout this century. As you can see, we have been more indebted in the past than we are now.

## Indebted Since 1919

First the historical facts. The graph shows Denmark's indebtedness and assets expressed as percentages of the national product throughout the last 105 years. It appears that Denmark has been in a state of constant net indebtedness to other countries since 1919. Aside from the years during World War I Denmark has been a borrower nation ever since 1890! It also appears from the graph that Denmark has been far more indebted in the past than we are now! Thus in 1910 our net debt was over 40 percent of our national product. In other words we owed almost half of that year's production at that time!

Today, however, our foreign debt amounts to barely 20 percent of the national product.

## Not a New Problem

Anxiety about a large foreign debt is nothing new in Denmark. Right up to World War I the politicians were very concerned about our debts -- especially our debt to Germany! Then too Denmark had to pay quite a high interest rate in order to attract the necessary foreign capital and then too there were loud demands to check imports, for example by raising tariffs.

And it is thought-provoking that "thanks to" the two world wars and the crisis periods in the 1930's and the 1950's Denmark was able to substantially reduce its foreign indebtedness.

## We Can Continue

At any rate the course of history shows two things: 1) Denmark has managed to be a borrower nation for the last 58 years continuously and 2) we have been far more indebted formerly than we are now.

Against this background the question should be raised -- why can't Denmark continue to borrow abroad as long as this occurs at the same rate as our production (national product) expands?

The important thing as far as Denmark's credit rating is concerned is not the size of the debt in kroner and ore but the size of the debt in relation to our total economic capacity, expressed in terms of the national product, for example -- and this national product is constantly rising.

Denmark's foreign debt today (mid-1977) is 43-44 billion kroner, corresponding to 17-18 percent of the national product. By the end of 1977 the debt will probably have risen to 50 billion kroner, corresponding to 20 percent of the national product.

If the politicians resolve that in the future foreign debts must not exceed 20 percent of the national product up to the year 2000 we could increase our foreign debt in kroner and ore by over 400 billion kroner over the next 23 years! (In this example it is assumed that the national product will rise 10 percent annually in current prices and that the exchange rate will remain unchanged in relation to the present.)

If the politicians decide instead to freeze our foreign debt in kroner and ore at 50 billion kroner for the next 23 years Denmark's debt by the year 2000 would amount to only 2 percent at that time (assuming production growth and exchange rate up to that time).

In other words, freezing our debt (in kroner and ore) would mean that we would be practically free of debt at the end of this millenium! This means we would not have to pay off a single krone (net) on our foreign debt. Economic growth and -- especially -- worldwide inflation would take care of our repayment problem.

#### Inflation Pays

It has been almost entirely overlooked in the debate on Denmark's mounting foreign debt that we gain a considerable debtor (borrower) windfall as the result of worldwide inflation. Some figures can illustrate this:

From the end of 1970 to date, prices in the world (measured in terms of price increases on goods imported to Denmark) have risen about 80 percent. In other words the money we owed to other countries in 1970 has in only 6 years lost almost half of its value (purchasing power).

If the world inflation continues at a rate of only 6 percent annually up to the year 2000 the "world price level" at that time will be almost four times higher than it is today. Thus our present foreign debt of 43-44 billion kroner would correspond in the year 2000 to about 11 billion 1977 kroner (assuming an unchanged exchange rate). Inflation would thus have paid three-fourths of our foreign debt for us by the time we pass the year 2000!

As an indebted nation, it is in our interest to have inflation in the world continue....

Of course Denmark is paying running interest on its foreign debts but the interest rates correspond roughly to the rate of inflation so that in reality we are borrowing from other countries for nothing. Even the principal in our foreign debt is reduced in real money due to inflation, as in the example above.

If Denmark continues to incur debts faster than our production rises we will soon lose our credit standing -- in other words have a hard time

getting foreign loans. But if we just reduce our balance of payments deficit enough so that the debt does not rise faster than our national product we can presumably go on as a borrowing debtor nation decade after decade. Perhaps that is what the Social Democratic government is counting on. If he lacks moral scruples a Danish politician doesn't have to worry about repaying (net) foreign debts. This can be left to normal production growth and inflation....

National economists like professor Jorgen H. Gelting and assistant professor Peder J. Pedersen, both at Aarhus University, brought these conditions to the attention of BERLINGSKE TIDENDE back in November 1976.

"We won't stop increasing Denmark's indebtedness before we are forced to," said professor Gelting. "In principle Denmark could continue its deficit indefinitely provided it does not exceed the national product by a few percentage points," said Peder J. Pedersen.

Thus Denmark's policy of indebtedness could continue (at a reduced tempo) but the price would be our economic freedom of trade. For example we would not be able to reduce our record interest rates and we would not be able to bring our unemployment level down as a debt-free nation could....

[16 Jul 77 p 9 (I)]

[Text] Scarcely anyone expects inflation (price increases) to disappear in the period up to the year 2000. If the increases in prices and wages in the next 23 years are the same as they were in the last 23 years the value of money would have been cut in half twice over by the end of the century and a typical wage would be well over 400 kroner an hour....

Of course it isn't possible to predict the increase in consumer prices (cost of living) in Denmark over the next 23 years up to the year 2000. Even so it is possible to determine with some accuracy what figures we will be operating with in the year 2000 when it comes to prices and wages. It is also possible with some degree of probability to point to some consequences of a continued permanent inflation in Denmark.

#### Four Inflation Surges

There is general agreement that we will be living with constant price increases in the future. The course of history reinforces this assumption.

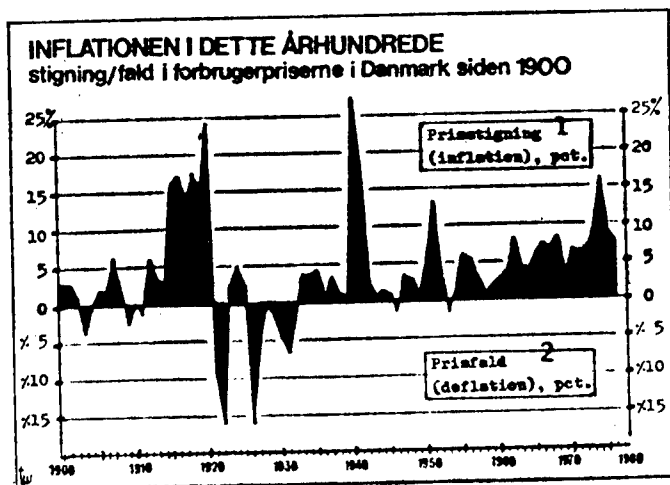
The graph shows the rise or fall of consumer prices in Denmark each year since the turn of the century. It appears that the price level has not fallen in Denmark since 1953 (after the Korean crisis). Only four times in this century have we had an inflation of over 10 percent annually. That was during the two world wars, during the Korean War in the early

1950's and in 1974 (the oil crisis) following the last conflict in the Middle East.

Thus every 20-year interval in this century up to now has produced a period of extraordinarily high inflation caused by wars (crises) in the outside world. It would be strange if we didn't have at least one period of sharp price increases in the last 20 years of this century.

#### Permanent Inflation

The graph shows further that the first three periods in this century with especially sharp price increases were followed by a price decline. But after the latest "inflation surge" (the oil crisis in 1974) there was no such price decline reaction. Up through the "gay" Sixties inflation seems to have taken hold and become permanent -- despite the low economic activity and the high unemployment. The price level now in 1977 is thus 7 1/2 percent above the approximate 1976 level -- and that does not take into consideration the effects of the tax hike last August.



#### Inflation in This Century

The rise and fall of consumer prices in Denmark since 1900.

- Key: 1. Price increases (inflation) in percent  
2. Price declines (deflation) in percent

This is the way prices have risen and fallen year by year throughout this century.

How will living costs and wages go during the rest of the century?

If one just makes the cautious assumption that prices will rise an average of 6 percent a year (corresponding to the average rate of inflation in the last 23 years) price levels will have quadrupled by the year 2000. The purchasing power of a krone by then will correspond to the purchasing power of 26 ore in 1977 currency, as shown in the table.

But much suggests that inflation will be much more rapid in future decades. The graph indicates that since the late 1950's we have had accelerating inflation -- inflation increasing in tempo. Nobel Prize winner Milton Friedmann has said that either inflation is eliminated altogether or it accelerates. The reason is that once people get used to price increases they start acting in a way that reinforces inflation. Thus a quadrupling of price levels in the year 2000 would seem to be a very optimistic estimate....

How will wages work out?

(1)	(2)	(3)
1977	44	100
1978	48	94
1979	53	89
1980	59	84
1981	64	79
1982	71	75
1983	78	70
1984	86	67
1985	94	63
1986	104	59
1987	114	56
1988	126	53
1989	138	50
1990	152	47
1991	167	44
1992	184	42
1993	202	39
1994	222	37
1995	245	35
1996	269	33
1997	296	31
1998	326	29
1999	358	28
2000	394	26

This table shows how average hourly wages and the value of money will develop up to the year 2000 -- IF wages rise 10 percent annually and consumer prices rise only 6 percent annually.

Key:

1. Year
2. Hourly wages in kroner
3. Purchasing power of the krone in terms of 1977 ore

If the average hourly wage in industry and the trades increases 10 percent a year, the wage rate will have increased almost nine-fold by the end of the century, as indicated in the table. At first glance an hourly rate of almost 400 kroner an hour seems completely unrealistic. But wouldn't we have regarded the present rate of about 44 kroner an hour as totally incredible 23 years ago (in 1954)? At that time the average hourly wage rate was around 4.2 kroner....

In our example the cost of living will have quadrupled by the year 2000 while wages will have increased nine-fold. That means that we will have doubled our real wages by the year 2000 -- with a little left over.

However such a sharp rise in real wages is unlikely. Partly because we have to count on an acceleration of inflation and partly because it is likely that some form of tax on wages (perhaps in the form of an Economic Democracy arrangement) will be introduced in this period. Finally, we must anticipate substantial increases in consumer taxes in the next few years. In addition the present income tax will take its sizable share of any increase in real wages.

#### Price Index Regulated Economy

The accelerating inflation will certainly have a number of inevitable consequences.

In the first place our economy will become increasingly price-index regulated in order to counteract the harmful effects of inflation. It must be expected that index-regulated debts will be more common on the capital market (for example, index bonds and index mortgages). At the same time it will probably be harder to get traditional loans for extended periods of time. Loans with a variable interest rate will gain in favor as a result of the permanent depreciation of money.

One result of inflation would probably be changed rules for the taxation of interest income and the deduction of interest-related expenses. The current regulations combined with the depreciation of money penalize savers and reward those who go into debt.

In the area of housing inflation will continue to produce a "rent strain" between older and newer housing. Index-regulated financing (see above) is therefore likely. This would peg rentals to the price index too.

#### More Expensive Currency

In the second place, inflation will definitely lead to changes in the exchange rate. A difference of only 2 percent a year in price increases up to the year 2000 between Denmark and Germany for example (such as 6 percent in Denmark and 4 percent in Germany) would inevitably mean that the Danish

krone would have to be depreciated by about 33 percent in relation to the German mark over the next 23 years! The assumed difference in inflation will probably be larger and this means that in the year 2000 a German mark will cost at least 3.8 kroner in contrast to about 2.6 today.

Since the Danish krone is already highly overvalued today it seems very likely that the krone will undergo a sharp devaluation within the next few years. This means a reinforcement of inflation and probably a bite out of real wages as well.

A third consequence of inflation will be the necessity of adapting ourselves to a permanent income policy with all the unrest on the labor market this would lead to.

Finally, permanent and -- probably -- accelerating inflation means that interest in land and real property will continue to be great. Especially large price increases can therefore be expected in that area.

[18 Jul 77 p 10 (I)]

[Text] One of the most certain things we know today about the future couple of decades is how population size and age distribution will develop.

It can be established right now with a high degree of certainty that in the year 2000 there will be 85,000 more pension recipients than there are today. It is also certain that unless Denmark is exposed to atomic warfare, natural catastrophe or unknown epidemics there will be about 200,000 more people in the productive age group by the year 2000.

It is much less certain how many children and young people there will be at the end of the century. In the latest population forecast issued by the Danish Bureau of Statistics it was predicted that each woman would have an average of 1.9 children in the next 23 years. That corresponds to the birth rate generally prevalent in Denmark during the 1970's. Under this assumption there would in the year 2000 be 20,000 fewer children in the 0-6 age group than there are today and 78,000 fewer school-age children (7-16). (The prediction is based on an approximately unchanged death rate and a net immigration rate of zero.)

#### Peak in 2005

The population forecast means that the population of Denmark would continue to grow until around the year 2005. At that time we would number almost 5.3 million inhabitants here in Denmark, which is a good 200,000 more than we have today. (But if the birth rate continues to be as low as it was in 1976 -- 1.75 births per woman -- the population will begin to decline as early as around 1990.)

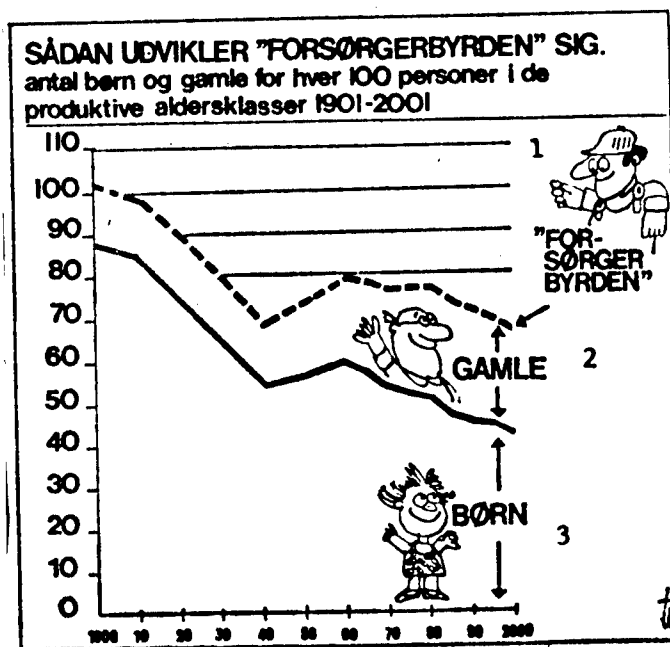


In all age groups up to 35 there will be fewer people in the year 2000 than there are today. Over that age there will, with a few exceptions, be more people in each age group. There will be an especially large increase in the number of very old people.

#### More Old People -- Fewer Children

Thus we are facing a population development in which the rising number of old people will more than offset the decline in children and young people. At the same time the number of those seeking outside employment will rise sharply just as a result of population developments.

What consequences will this have for the Danish society? At any rate we can point to the following 10 problems and conditions:



#### Development of "Bread-winner Burden"

The number of children and old people per 100 people in the productive age groups, from 1901 to 2001.

"Children" are here defined as persons under 20 and "old people" as those over 65. Thus the "productive" age group is that between 20 and 65. Source: Poul Milhoj: "Business Structure and National Income," Copenhagen 1975 and calculations by professor P. C. Matthiessen, Copenhagen University.

Key: 1. "Bread-winner burden" 2. Old people 3. Children

1. The "natural" bread-winner burden will decrease. There will be more people in the actively working age group in relation to the young and the elderly who must be supported. Today there are 76 children, young people and elderly people for every 100 in the productive age group. By the year 2000 this figure (the so-called "demographic bread-winner burden") will have declined to only 66. That is the lowest bread-winner burden in this entire century (see the graph).

However it is not certain that this will open up the possibility of a lower tax burden in the future. The reason is that caring for the elderly puts more of a strain on the public coffers than caring for children and young people.

#### Fewer Schools

2. The big addition to the "productive" age group (over 10,000 more each year) makes it inevitable that the general unemployment problem will become worse. The population development in itself appears to be intensifying the problem of unemployment.

3. The decline in the number of children and young people will lead to less pressure in the educational sector -- including children's institutions. Some 78,000 fewer school-age children in the year 2000 with unchanged class ratios would mean that 5000 fewer elementary school teachers would be needed and about 200 schools would be closed down over the next 20 years or so.

4. The growing number of older people will automatically lead to more pressure in the social and health sectors. There will be a need for more hospital and nursing-home spaces, more collective housing, more home help and home care. The especially large increase in the number of very old people will place special demands on our resources (institutions and labor).

Thus today the politicians seem to be faced with the problem of transferring resources from the child care and education sector to the social and health sector.

#### Labor Force

5. The labor force will be older and thus less mobile and less flexible. At the same time job developments seem to be going in the direction of more frequent changes in production and technology. This requires increased adjustability on the part of the labor force.

In other words there will be a "gap" between an increasingly slowed-down and aging labor force and the growing need of business for a flexible and dynamic labor force. This problem might be solved with a tremendous expansion of in-service training and retraining programs.

6. Furthermore the older labor force will mean that a smaller proportion of young people will be able to obtain positions of responsibility (at any rate if the seniority principle is retained). The leaders of the future will be older than they are today. Older people will block off the top jobs and by the time young people finally arrive at leadership positions they will no longer be young.

Old man's rule is lurking in our future.

This development raises the question of whether the seniority principle should be retained when positions are being filled.

7. The rising proportion of older people in the labor force will in itself mean greater wage costs both in the public sector and in private business life. Older people are frequently higher paid than their younger colleagues -- despite the fact that their productivity is often lower. Thus the older labor force will mean larger wage costs per product-unit produced. (It is hard to tell whether this in itself will lead to a decline in Danish competitiveness. Developments in competing nations are also in most cases going in the direction of an older labor force.)

However the development does give added force to the question of whether it is reasonable and viable to retain the seniority principle in our wage system in the area of salaried employment.

More Conservative?

8. More older people and fewer young people will probably lead to a more conservative society in the future. Political parties will listen harder to the demands of a growing electoral group of pension recipients and pay less attention to the wishes of the declining number of younger voters. After all, that is the way democracy works.

9. More older people and fewer young people will mean a smaller rise in consumption and thus in production. Thus the population development in itself will lead to reduced economic growth.

10. The low birth rate of the future could lead to depopulation of certain parts of the country. If the politicians want to counteract this they must be prepared to increase appropriations for regional development.

[19 Jul 77 p 8 (I)]

[Text] Will we ever again rid ourselves of this terrible unemployment?

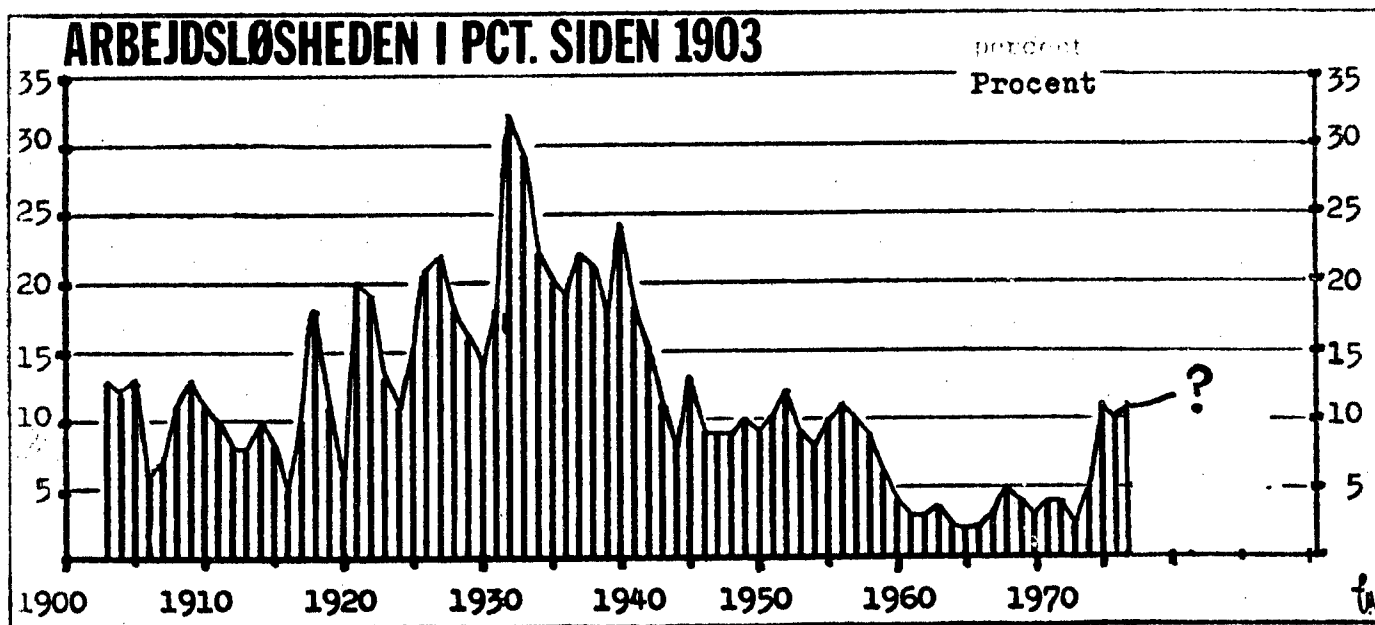
The experts don't think so. However most experts are pessimistic if you crowd them. They refer to the rapidly growing desire among the population

to obtain outside work and at the same time point out that almost all parts of the private labor market seem to want to reduce the use of labor. In other words, the way things look now the supply of labor will increase sharply while the demand for labor will decline. That can only mean more people out of work.

### Supply

Of course the problem isn't quite that simple. First let's take a look at the labor supply. Today there are a good 2.5 million people in the labor force, that is to say people who either have work or would like to have work (the unemployed). If the desire for outside work remains the same as it is now (job frequencies for men and women remaining unchanged) the labor force in the year 2000 will have grown to over 2.8 million people -- an increase of about 310,000. That corresponds to an annual net increase to the labor force of 13,500 people.

In other words, just as a result of the expected population development, between 13,000 and 14,000 people will be asking the labor market for a job each year in the future.



Percentage of Unemployment Since 1903

The average rate of unemployment in this century was 11.5 (among those covered by unemployment compensation). Only in the 1960's was the average down to 3 percent. Are we now up to the "normal" unemployment level again?

## Women's Desire to Work

But no expert believes that the net increment will not be greater. This is connected with the expectation that married women will want to work outside the home to an increasing extent. Today 60 percent of all married women aged 15-74 have outside jobs. The job frequency for men is 81 percent. If the job frequency for women rises to 70 percent just in the next 23 years, then in the year 2000 there will be 250,000 more women on the labor market looking for work.

In that case the labor force at the turn of the century will number over 3 million people -- an increase of over 20 percent compared to today....

Can the rise in the labor force really be that great?

Yes, very easily. There is every reason to believe that women in the future simply won't tolerate being "homebodies." More and more women are getting an education and will be demanding paid employment just the way men do. The advance of women onto the labor market cannot be halted.

Do the Figures Lie?

The bold prediction of rising job frequency among women found in Perspective Plan II has long been surpassed by actual conditions. To the surprise of everyone, women have continued their advance on the labor market even after the economic crisis broke out.

Most job surveys from the Danish Bureau of Statistics show such a strong desire on the part of women for outside employment that most labor market experts simply do not believe them.

No one wanted to be quoted but it is believed that some of the explanation for the very large influx of women on the labor market is due to the high rate of unemployment compensation combined with the fact that now it is only necessary to work 6 months before being entitled to benefits. If this suspicion is correct then it should be possible in 3 1/2 years (the length of time unemployment benefits can be collected) to note a drop in the "desire" of women to work outside the home. For very few believe that the pseudo-unemployed will continue to masquerade as "job seekers" by going on relief.

Uncertain

Another and quite legitimate reason for the recently noted increase in women's desire to work outside the home is the fact that many married women whose husbands are out of work are beginning to seek work -- because of their spouses' loss of income.

However all these are factors that may have increased the supply of labor artificially for a short period of time. In the longer perspective it is undoubtedly true that women's job frequency will continue to rise. Each percentage point that job frequency for women rises means 20,000 more women on the labor market by the end of the century. That is why there is so much uncertainty about the future labor supply. But there is no doubt that the labor force will increase -- despite the fact that current estimates allow for a net immigration of zero.

#### Shorter Work Day

The probably very large influx of workers on the job market however is far from representing the whole truth about the supply of labor in the future. Vacations will be longer, work hours will be shorter and part-time work will be more widespread. In addition it is probable that the retirement age will be lowered. The increased tendency of young people to choose longer courses of education will also reduce job frequency somewhat.

The question then is what does all this mean in terms of the total supply of labor measured in the number of work hours. Political scientist William Scharling, Danish Bureau of Statistics, who helped prepare the latest labor supply forecast for Perspective Plan II, does not feel that we can count on the supply of labor being greater in the year 2000 measured in terms of the number of work hours.

Thus the strong influx of people could be offset by shorter work hours, longer vacations and more part-time work.

#### Demand

How will the demand for labor develop?

The experts believe that the need for labor will decline in agriculture, fishing and industry. The trades will probably show a slight increase in the number of employees, primarily due to the increased need for repair services. It is emphasized that employment in construction is entirely determined by political decisions. A weak decline in employment is predicted for wholesale and retail trade. The finance sector (money institutions, insurance companies, etc.) will hardly be offering more jobs in the future. The strongest expansion is expected to take place in liberal jobs, including entertainment and the service branches. The growth of the public sector will probably amount to a few percentage points annually, corresponding to a need for 10,000 new people (net) annually.

#### Machines

Behind the reduced need for labor in many parts of the economy lies an anticipated increase in productivity, that is production per man per day.

The point is that the more this productivity rises the fewer people are needed to do the work.

This is where the concept of "technological unemployment" comes into the picture. There is a rapid development going on, especially in the area of computers, that will increase the productivity of office workers, among others.

Office manager K. W. Redder of the Labor Directorate is one of the pessimists; "Unless there is a marked reduction in work time we will not be able to handle the unemployment problem. A reduced work week from 40 to 35 hours would not be enough."

#### Viewpoints

Some people point out that new businesses and jobs will arise. That is how things have gone in the past, they say. Others say there is enough work for everybody, the only question is how high wages will be.

Still others point to the historical development of unemployment (see the graph) and say that the growth period in the 1960's with its abnormally low unemployment rate was an exception in our economic history.

However if you really press the "experts" they all admit they don't know what employment prospects will be like in the future. Caution has become a virtue after the terrible mistakes that were made in this area in Perspective Plan II. We could just as well have a booming market with an enormous shortage of labor in 5 years as we could have 300,000 unemployed. The whole thing depends greatly on the world market -- and on our own domestic economic policy.

[20 Jul 77 p 12 (I)]

[Text] If a tremendous change does not occur in the Danish labor market during the 1980's we will have 100,000 academicians who are unemployed in 1990.

This appears from a report sent to the parliamentary Education Committee by the Ministry of Education in March. The report includes a forecast of the supply of people with a higher education up to the year 1990 which is reprinted here. The figures in the table show that in only 13 years we will have 146,000 more people with a higher education than in 1975. Each year the number of people with a higher education will increase by almost 10,000....

Type of Higher Education	1975	1990	Index 1990 (1975=100)
Engineers	35,700	56,400	158
Certified surveyors	620	900	145
Architects	2,800	5,700	203
Doctors	11,000	19,500	177
Pharmacists	2,850	3,500	123
Dentists	4,400	6,650	151
Veterinarians	1,850	2,150	116
Therapists	5,800	7,950	137
Midwives	960	1,425	148
University-educated scientists	3,850	12,500	325
Other KVL [expansion unknown] trained	4,100	5,250	128
Jurists	8,600	13,000	151
Political economists	2,250	4,700	209
Other social scientists	250	4,350	1740
Commerce certificate or degree	2,900	12,450	429
Social workers	3,000	10,300	343
Theologists	1,850	2,450	132
University-educated humanities students	5,700	20,500	358
Business program, higher certificate	4,950	22,850	462
Librarians	2,550	6,250	245
Journalists	2,750	3,700	135
Elementary school teachers	56,300	87,000	155
Domestic science teachers	3,150	3,025	96
Psychologists, educators	1,000	2,600	260
Total (in round numbers)	169,000	315,000	186

The latest forecast of the break-down of people with a higher education in 1990. The estimate is based on a number of students corresponding to the maximum admissions figure for 1977. Note from the Ministry of Education, 7 March 1977.

#### Can't Be Halted

This enormous surge of academicians and professionals can't be halted now. It can only be checked somewhat in the long run. It is connected with the longer education period at universities and teachers' colleges -- and the fact that 100,000 students are already in the educational system. The report to the the parliamentary committee said directly that the big influx of students to universities and teachers' colleges that took place in the 1960's and early 1970's will produce a growing supply of people with a higher education all the way up to the end of the century -- even if the



total increase stabilizes at the present level and the number of those with a university education declines somewhat.

With a continuation of the planned 1977 admissions figure to educational institutions the supply of those with a higher education could rise to over 460,000 in the more distant future....

What does all this mean for Danish society?

At worst it could mean something close to a revolution. At best the development could lead to very dramatic changes in the entire Danish labor market. Today about 80 percent of those with a higher education are employed in the public sector. If growth there continues at the current rate of about 2 percent annually by 1990 there will be about 100,000 people with a higher education who must be placed in new and untraditional jobs in the private sector. To the extent this does not occur we will have academic unemployment....

#### Wages Decline

Economic statistics consultant to the Ministry of Education Lauge Dahlgaard, who as labor minister in the VKR [Liberal-Conservative-Radical coalition] government initiated the first Perspective Plan, does not believe that we will have 100,000 people with a higher education out of work 13 years from now. "Something will happen."

First and foremost, general market forces will solve some of the problem. The large supply of people with a higher education will push wages down, at least in relation to other groups on the labor market. When the value of having a higher education declines more of those with such an education will get jobs. The cheaper labor force with higher training will not only hold more of the types of positions already held by such workers but will also enter entirely new areas of the labor market. In other words, those with a higher education will take jobs away from those with less training (the "cuckoo effect").

Furthermore, in connection with technological developments some of the old tasks will be solved in new ways that require people with more training. This will apply for example to service and advisory jobs at future places of employment.

All this will happen as an automatic adjustment to having a lot of higher-educated people on the labor market. But Lauge Dahlgaard pointed out that the labor market can be adjusted actively to these more trained workers. This could be done by paying people to a larger extent for the work they do instead of for their education. It could also be done by increasing the number of combination majors in the educational system. A supply of

people with a higher education in several related combinations of fields would mean that more could be used in practical life. Sweden and the United States have gone far in both the directions mentioned above.

#### New Initiative

In an entirely new development the Ministry of Education is thinking of issuing annual "follow-up surveys" in connection with the Danish Bureau of Statistics that would show in concrete terms where new graduates actually do find jobs in the future and how they fare in their first 3 years on the labor market.

Lauge Dahlgaard does not believe unemployment can be avoided by those with higher educations but the Doomsday prophesies are unlikely to become a reality. He ended by pointing to the paradox that students today often display aversion to the business sector that ultimately will have to solve their future employment problems.

No rosy picture is outlined for conditions on the Danish labor market of the future. Technological developments and machines will gradually take over the trivial work. The high Danish wages will encourage this development. The future tasks in business and in the public sector will increasingly be to plan and to direct work. This will place increasing demands on skill and knowledge. In this development will there be room for any but the best and the most skilled?

#### A Cold Society

Will we in the 1980's and 1990's be living in a society in which the most skilled and the most efficient workers on the labor market grab the jobs away from those lacking special skills and training?

Such a future cannot be ruled out. The seeds of a revolt lie hidden in this development. Frustration will be a characteristic of all those who can't find jobs -- especially all those who lack work despite a higher education. Dissatisfaction and disappointment will also characterize those with a higher education who may find jobs but not jobs and wages that match their expectations.

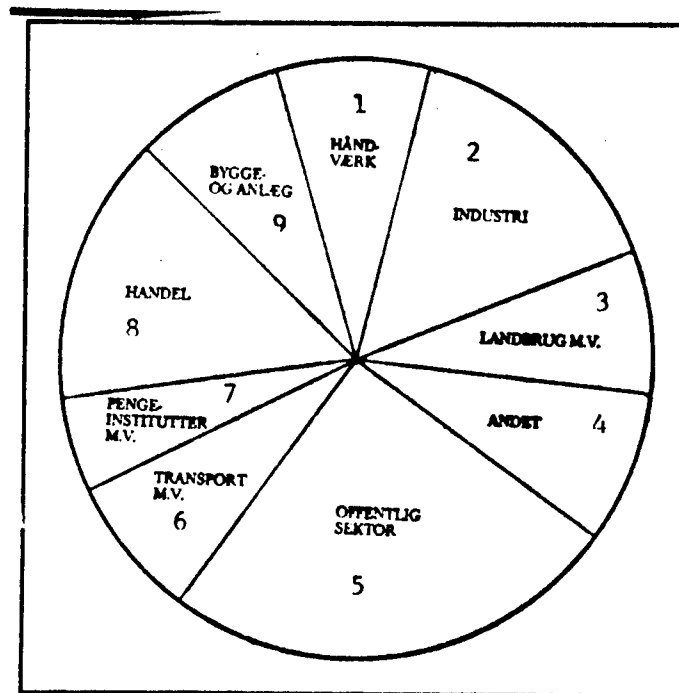
For these reasons alone we must anticipate unrest on the labor market of the 1980's and 1990's. The struggle between those with no training or a short period of training on the one side and those with a longer education who are making inroads on the other could well be quite unpleasant.

If the massive unemployment continues, the society of the future could very well be a cold one with the labor force split up into A and B people. Only the efficient "A people" will find meaningful employment.

There will not be a development in the direction of greater equality but one in the opposite direction.

[21 Jul 77 p 11 (I)]

[Text] How "socialized" will Danish society be in the year 2000? Will private ownership be on the way out? Or will it have been reinforced instead?



This is the way production is distributed by business today. Even now the public sector is the nation's biggest "business." In the future the state's control will grow, partly because the public sector will continue to spread, partly because new laws and regulations will hamper the free activity of business. The stock purchases by the ATP [Workers' Supplementary Pension Fund] will also lead toward the socialization of Denmark.

Key:

- |                     |                  |                         |
|---------------------|------------------|-------------------------|
| 1. Trades           | 2. Industry      | 3. Agriculture, etc.    |
| 4. Other            | 5. Public sector | 6. Transportation, etc. |
| 7. Financial branch | 8. Commerce      | 9. Construction         |

There is scarcely any doubt that Denmark will be somewhat "socialized" in future decades. This "socialization" can occur principally in the following ways:

1. The public sector can continue to grow.
2. The state can go into direct production of goods as the owner of business firms.
3. The state can increase its control over business by placing state representatives on the boards of directors of firms.
4. The state can expand the system of laws and regulations that check the opportunities of business to expand freely.
5. By pursuing a "selective business policy" the state can increase its control over the development of society.
6. The state can expand its cooperation with business and labor organizations.

#### Public Growth

It is likely that the public sector will continue to grow in the years ahead both in absolute and in relative terms. However the growth will be much slower than it was in the headlong 1960's. With a larger public sector the state will be able to a larger extent to control the wage level in the entire country -- and state and municipal purchases of goods and services will play an increasing role in business life.

However the fact that the public sector will continue to grow is not identical in all respects with increased "socialization." If the payment principle gains ground in the public sector -- and there is much to suggest that it will -- the general price mechanism in society will be strengthened. This would be a step in the direction of a more liberalistic economy.

#### Liberalistic Island

The most direct socialization imaginable would be for the state to become involved in the industrial production of goods. This form of socialization is already far advanced in our neighbor country, Sweden. In Swedish industry alone, some 70,000 people are employed in state-owned firms. Swedish state firms produce everything from laundry detergent, cigarettes, blueberry soup and clothes to iron ore, ships and insulation material. In our other neighboring countries the state also owns businesses. Thus in Norway the state owns 40 percent of all industrial shares.

## Forced To?

Against this background the question is whether Denmark can continue to maintain its status as a small liberalistic island surrounded by countries with a more or less socialized business sector.

There is much to suggest that this is actually possible. When state authorities in our neighbor lands own business firms it is often connected with the fact that they felt compelled to take over -- and save -- large firms that would otherwise have shut down with massive unemployment as a result.

But Danish economic life is not dominated by such gigantic firms. In fact Denmark has only a few businesses that could be called large in the international sense. The Danish state would not be able to save tens of thousands of jobs at one swoop by taking over a few firms.

However we could be forced into a socialization process if foreign state-owned or state-supported firms employ "dumping" techniques against Danish companies. The Danish government could not look passively on if foreign firms by virtue of state funds were enabled to close down Danish firms and eliminate Danish jobs. Thus the Danish state might be forced to support entire branches of business against foreign state-socialism competition.

Today there is only one area where it seems likely that the Danish state will enter production voluntarily -- the energy area (Oil and gas production and distribution).

## ATP Purchases

An increased socialization of Danish business life might also occur if the ATP fund and perhaps also a future OD [Economic Democracy] fund purchase stocks. The expansion of employee stock ownership is also an expression of "socialization" after all and this form of socialization will probably be expanded under any circumstances.

An OD socialization according to the bombastic Social Democratic-LO prescription is unlikely. There simply isn't enough popular support for this form of OD.

It does not seem unlikely that in the Denmark of the future we will see state representatives on business boards of directors more often. Today we have state representatives only on the boards of financial institutions while Sweden recently passed a law opening up the possibility of placing state representatives on the boards of larger business firms. It is clear that such a development would increase the state's information on and control over business life.

## Environmental Control

The area where socialization will enter in greatly in the next few decades in Denmark involves more laws and regulations limiting the free expansion of business activities. This will be especially true in the environmental area and in regional policy and physical planning (how to use land and space).

If the labor groups, LO and DA [Danish Employers' Association] agree to limit the right of employers to "lead and assign work," private ownership rights will of course be further eroded. Last year the Swedish parliament approved a law that does in reality deprive employers of the right to "lead and assign work." In Denmark this is a matter to be determined by LO and DA.

## Marienburg

It seems clear even today that economic policy is going to an increasing extent from general measures (financial policy, money policy, exchange rate policy) to more selective measures. In the future more use will be made of subsidies and taxes to influence developments in specific branches of industry. In other words, general control of the economy will be replaced by more detailed controls.

Finally, there is no doubt that in the future we will see a closer and more permanent cooperation between the state and the organizations. In the next 10 years there will be a need for a permanent income policy designed to strengthen our competitive ability. It is absolutely certain that we have seen the last "free" negotiations on the labor market. This will inevitably mean increased cooperation between the state, LO, DA and business organizations. Perhaps this will happen in the form of recurring "Marienburg meetings."

## Continuing Erosion

To sum up, it can be concluded that probable developments in Denmark will not mean any big changes in private ownership rights to the means of production. But we must expect ownership rights to continue to be eroded as a result of increased state control aided by laws and regulations, subsidies and taxes.

But not all developments will lead in a "socialistic" direction. Thus in the housing area, condominiums will become more widespread and the population development toward more older and fewer young people is also a factor that will set limits to the socialization possibilities in Danish society.

[22 Jul 77 p 10 (I)]

[Text] Farmers Threatened with Production Decline

Growth rate 1975-2000, percent annually	Low growth	High growth
Total production value	- 1/2	3
Production value, domestic animals	- 1	3
Production value, plant production	2	2 1/2
Expenses for raw materials and aids	0	4
Gross factor income	- 1/2	2 1/4
Domestic animals		
Milking cows	- 2	2
Swine	0	3
Agricultural area	- 1	- 1/4
Harvest yield	0	1 1/2
Increase in labor productivity	3	4 - 5

This is the way Danish agriculture will develop up to the year 2000 under alternative assumptions. "Low growth" means a development with continued high unemployment, inflation and a balance of trade deficit. It is assumed that the Danish gross national product will rise only 1 - 1 1/2 percent annually in this period. "High growth" means a development toward increased Danish competitiveness, the re-establishment of a balance in trade payments by the end of the century and the restoration of full employment. The Danish GNP is assumed to rise by a good 4 percent annually. Source: "Possible Lines of Development for Danish Agriculture Up to the Year 2000," Institute for Future Research, July 1977.

There are prospects of "interest death" and declining production in agriculture unless changes are made in domestic economy developments and policy.

This appears from a report just issued by the Institute for Future Research ("Possible Lines of Development for Danish Agriculture Up to the Year 2000"). But if developments shift in a positive direction agriculture will have a chance to double production by the end of the century, the report concluded.

BERLINGSKE TIDENDE reproduces here the report's key figures for agricultural development over the next 25 years. As you can see the report operates with two extreme models for development possibilities -- a "high-growth model" assuming a continuation of postwar economic growth, improved competitiveness and a reduction of the balance of payments deficit and a "low-growth Model" assuming significantly lower future economic growth, rising unemployment and a continued balance of payments deficit.

#### Four Dark Points

Unfortunately there is a great deal to indicate that a development in the direction of the second model is the most probable. Office manager Ib Skovgaard of the Cooperative of Danish Agricultural Associations which co-sponsored the new agricultural report pointed out for BERLINGSKE TIDENDE a number of pessimistic factors for the future of agriculture:

1. It is unfortunate that our big export markets are England and Italy, countries where economic progress in the years ahead will probably be especially weak.
2. The average age of farmers will inevitably rise in the years ahead of us. We know from experience that stagnating farms are more likely to be found in the hands of older farmers while the expanding farm properties are overwhelmingly the result of the efforts of younger farmers. The rising average age is thus reason for concern.
3. The big production capacity of agriculture within EEC could lead to modest declines in real prices of domestic animal products. Thus there is a danger that agriculture will find itself once more in the traditional price squeeze between rising prices for raw materials and feed and stagnating sales prices.
4. A continuation of the high interest rate on loans to agriculture in Denmark will hinder growth in the production of domestic animals because in the long run this calls for substantial investments in barns, etc.

The last point in particular could lead to an involuntary flight from the agricultural branch. Office manager Ib Skovgaard: "If Denmark doesn't solve the balance of payments problem soon so that our interest level can approach the European level or if alternatively they don't introduce a selective interest policy in Denmark enabling farmers to obtain cheaper loans we will be faced with a stagnant Danish agricultural production -- at best. An unchanged high-interest situation for Danish agriculture would mean a development toward increasing plant production and decreasing livestock production which requires more capital."

It takes a new investment of about 3 kroner today to create 1 kroner in profit annually in animal production. Today this accounts for about 85 percent of total Danish agricultural production. Since agricultural earnings make self-financing of the necessary investments impossible farmers simply have to resort to borrowed capital. That is why the interest level is so decisive for the future of agriculture.

That farmers are able to obtain capital at all is due mainly to the inflation in land and real property. If farmers couldn't get loans on the



increased value of their properties they would be in a catastrophic situation already today....

#### Number of Farms

Office manager Ib Skovgaard sketched the following picture of what Danish agriculture would probably be like in the year 2000:

By 1985 the number of farms will be down to 100,000 (compared to 124,000 today) and by the year 2000 there will be only between 40,000 and 50,000 farms left. In contrast the average farm size will increase from 23 hectares today to 65-70 hectares at the end of the century. Individual ownership will continue to be characteristic of Danish agriculture but that assumes that future legislation will continue to prevent stock companies and the like from buying up farms. Due to inflation such an investment of money is quite risk-free.

In any case future agricultural operations will be more capital intensive. Mechanization will continue. The agricultural labor force will continue to decline. Today there are 131,000 so-called "year-round workers" in agriculture. Under favorable conditions (see the table) there will be about 90,000 left by the year 2000. Under unfavorable conditions the number of year-round workers will be all the way down to 55,000 in the year 2000.

Today the agricultural population is 7 percent of the total population, it will be between 2 and 3 1/2 percent in the year 2000 depending on circumstances. Under all circumstances the agricultural share of the Danish national product and total exports will decline in the future.

#### Exporting 5/6 of Production?

In the year 2000 Danish farming will still be dominated by allround operations combining plant and livestock production. An expedient work profile throughout the year favors this. There is also the security that lies in not counting on plant production alone and thus being more economically dependent on the influence of the weather.

At best agricultural production will have doubled in the year 2000 (corresponding to a 3 percent increase annually) -- at worst it will be a good 10 percent lower than it is today (corresponding to a decline of 1/2 of 1 percent annually). If production increases it is probable that Danish agricultural exports will increase more. Under the most favorable circumstances 5/6 of agricultural production will be sold abroad in the year 2000 compared to only 2/3 of production today.

But if economic developments continue to go the wrong way agricultural export sales will decline....

[23 Jul 77 p 7 (I)]

[Text] Danish industry is unlikely to need more labor in future decades than the 375,000 workers and salaried employees who today have jobs in the industrial sector. The trend is more likely to be toward fewer industrial employees....

This view is shared by a growing number of economists and politicians. The idea is that we are on our way into a post-industrial society -- or service society -- in which new machines and new technology replace human labor to an increasing extent. It has been that way for agriculture for some time -- now it is the turn of industry.

#### More Needed

The economists in the Industrial Council may agree that industry will not provide work for more people in the future but they have an entirely different explanation. The Industrial Council's leading economist, under director Jorgen Hansen, says that if economic policy is not decisively changed it is quite true that industry will be unable to use more labor in the future -- on the contrary, in fact. But if Denmark is to achieve balance in trade payments and at the same time eliminate unemployment this will require considerable growth in industrial exports which in turn will call for a considerable increase in the size of the industrial labor force. The prerequisite for this development is a decisive improvement in Danish capacity to compete with other countries. If the necessary competitive improvement policy is implemented employment in industry will also rise, said Jorgen Hansen, who continued:

"We have two problems in the Danish economy -- 100,000 people out of work and a trade deficit of around 10 billion kroner a year. Our deficit of 10 billion is exactly what the 100,000 people could produce if they went to work. In a manner of speaking, one problem can solve the other but the prerequisite will be that we become so competitive that it pays to buy our production instead of the production of other nations."

#### Some 60,000 New Jobs

Jorgen Hansen did not deny that there is a general tendency in the western world in the direction of a reduction of industrial employment: "But this problem does not apply to the Danish society before we have brought our economic affairs in order. From the mid-fifties to the mid-sixties Danish industry created 100,000 new jobs. We can create approximately 60,000 more jobs in industry if we improve our competitiveness. Danish industry has not been allowed to grow big and gain a foothold on foreign markets to a sufficient extent. From the middle of the 1960's our competitiveness has been undermined by a rapidly expanding public sector that forced the

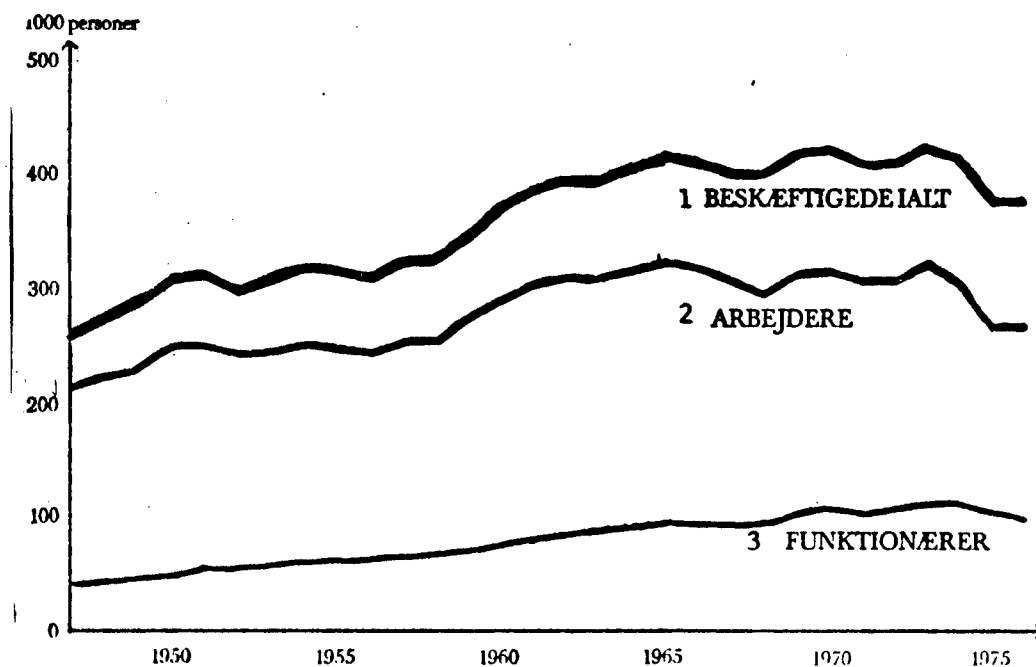
price of resources -- wages and interest -- skyhigh. Denmark today has the world's highest cost level when wages and interest are lumped together."

Hard words from one of industry's most prominent economists.

#### Must and Will Succeed

Industrial people refuse to predict how industrial employment will develop. Instead they say that it must be increased and it will be. In Denmark we have anticipated the "service society" by allowing our public sector to grow so rapidly. Our industry's natural growth has been checked prematurely. When this Danish structural imbalance has been corrected, then we can allow ourselves once more to "hop on" the general development in the direction of declining industrial employment.

Those are the views of industrialists themselves on the development needed.



#### Key:

1. Employment
2. Workers
3. Salaried employees

This shows how industrial employment has developed since the war. From the mid-fifties to the mid-sixties employment in industry rose by 100,000 people. But since 1973 jobs have fallen sharply. It is now felt that 60,000 more could find work if Danish competitiveness is dramatically improved. Source: "Industrial Economy," June 1977, Industrial Council.

## New Problems

It is probably worth noting that the "necessary policy" today is different than it was when PP II came out in 1973. Then it was thought necessary to transfer resources (labor and capital) from the domestic market sector (public spending and construction) to the export branches (especially industry). Since then, however, labor has become a surplus commodity and at the same time both the public sector and construction have been sharply checked. Since then Denmark also lost its competitive edge.

In the 1960's when we were still competitive, we lacked the resources (especially labor) to increase exports more. Now we have the resources but lack competitiveness....

Of course the present "PP III" situation is not unrelated to the PP II situation as industrial economists also point out -- the formerly strong public sector has pushed wages and interest skyhigh so that today we have the world's highest cost level.

## Will Machines Gain Ground?

The question is whether industry isn't on the way into a new period under any circumstance. In the past it was axiomatic for economists that investments led to more jobs. But now there is a long list of examples showing that investments are being made in fewer jobs -- industry is allowing machines to take over human functions. The graphics industry is a relevant example.

To this industrial economists reply that the growing use of labor-saving machinery creates other jobs. After all, somebody has to make the machines. And it is the increasing use of machines that is the counterpart to our rising prosperity. That is the way it has been all along.

## Thorkil Kristensen

Former minister of finance and present chairman of the Institute for Future Research Thorkil Kristensen, however, feels that developments in Denmark could easily change in character -- presumably there will be a shortage of raw materials and capital in the future while we will have plenty of labor. This means that capital will be more expensive (high interest rates) and labor will be relatively cheaper. Against this background Thorkil Kristensen believes that the character of technological development will change somewhat -- in the future more emphasis will be placed on capital-saving techniques. In other words, industry will tend to use labor rather than machines.

According to Thorkil Kristensen's thinking this development is particularly valid in Denmark which with its large debt is forced to maintain an

especially high interest level (expensive capital) and at the same time has a special need to check wage increases (relatively cheaper labor).

But hardly any economists would deny that there will be fewer people employed in Danish industry in the year 2000. The point made by Thorkil Kristensen means only that the substitution of labor by machinery around the year 2000 will occur at more gradual speed than many people have imagined.

[25 Jul 77 p 7 (I)]

[Text] Small Firms Will Survive

The small firms in the trades and in industry will not disappear. On the contrary the anticipated technical and economic development in future decades will favor the smaller firms.

	1968	1973	1975	1977
Agriculture, etc.	290,450	232,428	230,021	224,000
Industry	397,100	426,900	369,600	375,000
Trades	448,600	481,200	464,300	470,000

While employment in agriculture and industry declined in relation to 1968, employment in the trades advanced.

	1968	1973	1974	1975	1976
Agriculture	167,800	152,600	151,600	150,000	147,800
Industry	7,101	6,705	6,712	6,582	?
Trades	87,800	90,500	88,200	88,300	88,800
Of which:					
Manufacturing	22,400	21,800	22,200	22,000	22,000
Construction	26,400	29,000	27,000	27,500	28,000
Service branches	14,500	14,800	14,300	14,000	14,000
Repair branches	12,600	13,900	14,400	14,800	14,800
Stores	11,900	11,000	10,300	10,000	10,000

While the number of establishments has declined in agriculture and industry in the last 10 years, the number of trade establishments has remained relatively unchanged.

Source: Trades Council

The leading economist of the Trades Council, Bjarne Hastrup, said that in the past we have believed too blindly in the advantages of big business. But developments up through the 1960's have put all the predictions of the death of trades and small industries to shame. Thus in 1958 there were about 80,000 trade firms in Denmark, including manufacturing, construction, service, and repair firms and retail stores. Today there are almost 90,000. While the number of firms involved in agriculture and industry has declined, there are more trade firms. Employment in trade firms has risen by approximately 20,000 in the last 10 years while industrial employment has declined in the same period.

#### Four Good Reasons

This surprising development, which in Bjarne Hastrup's opinion will continue in the future, is due to the four following conditions.

1. The technological development has gone and is still going in the direction of division into smaller units. Among other things, the increased use of computers and electronic equipment has meant that the capital apparatus of a firm no longer needs to be so big in order to be able to produce competitive products with small fixed costs per unit.
2. Economic developments have gone and are still going in the direction of frequent changes in demand which can be accommodated more quickly by the smaller flexible firms than by the big ones. A smaller capital apparatus can also be changed to new production quicker and cheaper.
3. Economists and other "forecasters" have long underestimated how great a desire there is in Denmark to be independent. At present about 4500 firms are started up or shut down each year in Denmark, corresponding to 5 percent of all trade firms.
4. An anticipated improved communications and transportation system in the future would especially benefit smaller firms. Easier and cheaper conveyance of goods and messages, for example, would improve conditions for the smaller firms acting as subcontractors delivering to larger firms all over the country -- and to those outside the country too.

#### Dispersal

Industrial economists agree with these ideas. Bjarne Hansen's colleague on the Industrial Council, under director Jorgen Hansen, points to the "divisionalization tendency" (i.e., division into independent branches) in big firms. Industrial firms may become a little larger in the future but it is unlikely that the individual physical work site will be, he said. Jorgen Hansen also made it clear that there will be no real concentration of industry in the future.

On the contrary, there is much to indicate that geographically a larger number of industries will be located in Jutland, with a declining proportion located in the Copenhagen area. This geographic dispersal would be a continuation of developments over the last 20 years. But like the Trades Council economists, Jorgen Hansen feels that business location will be less important in the future due to developments in communications and transportation.

#### More Cooperation

There is also much to suggest that there will be industrial dispersal with regard to ownership as well. There will undoubtedly be an increase in the share of employee-held stocks. And if Economic Democracy (OD) is introduced in one form or another it would also tip the scales in the direction of a dispersal of ownership rights to the means of production.

But in at least one respect we can anticipate increased "concentration" -- it will probably be more common for trade and industrial firms to form co-operative groups in dealing with financing, management and exports. Cooperation in exporting is especially needed now that the rich oil-producing countries have begun ordering big projects from the hungry industries in developed nations. The projects these countries want executed are often so big that even the largest Danish industrial firm would be unable to handle the job on its own.

#### State Cooperation

The enormous desire to buy on the part of the oil-rich nations will do more than just promote cooperation among businesses themselves. It seems obvious that cooperation between the state and private business in Denmark will also be expanded and formalized in the years ahead. This is especially likely because in practice a person at the ministerial level is needed to "open the door" to the Mideast market. The state will probably also help businesses financially with exporting projects to the newly-rich nations in the future.

In addition to this is the whole development in the direction of state expropriation of -- or co-involvement in -- business production in the rich western nations. In the past Denmark has been a "liberalistic island" surrounded on all sides by countries where state socialization has gained ground. But true state production of goods in Denmark in the next few decades seems likely only in the energy area (oil, natural gas).

#### Re-use Gaining Ground

In the trade sector the greatest activity and employment advances can be expected in the repair field. Under director Bjarne Hastrup, Trades Council, said: "I expect legislation by the 1960's [as written] at the latest

that definitely favors re-use. With respect to both resources and the balance of trade and employment re-use is desirable. Favoring re-use could be accomplished by new or increased taxes on new things, for example and/or state subsidies for repair expenses."

Thus there is a prospect of more employment at auto repair shops, iron-workers and machine shops along with other firms dealing with the repair of durable consumer goods. The repair of homes and buildings will also grow in importance. A large part of these repairs will probably be made by the owners themselves -- especially because of our tax system and the anticipated increase of leisure time in the future. But Bjarne Hastrup foresees on the basis of the current drop in the number of apprenticeships that there could be a shortage of skilled labor in the repair field in the 1980's!

In the trade sector the service trades (especially laundries and hair-dressers) and retail stores will have to count on a continued decline in employment.

The Trades Council predicts unchanged employment levels in the building trades during the next 10 years since the anticipated surge in repair and modernization activities is expected to offset the decline in new housing.

[26 Jul 77 p 12 (I)]

[Text] More Home Ownership in 10 Years

During the next 10 years the number of housing units owned in Denmark will increase by about 400,000 while the number of rented units will decline by about 200,000. The result will be that in 1987 75 percent of all Danish housing will be owned by the occupants while the figure today is only about 60 percent.

These future housing predictions were made by the under director of the Trades Council, political scientist Bjarne Hastrup.

Bjarne Hastrup based his "vision of the future" on the following assumptions: The long-range need for new housing construction will lie around 30,000 units per year. Of these, 10,000 will be due to population developments (more people reaching the age and social standing where people want their own home). Another 10,000 will be needed as the population becomes more prosperous (causing people to want to live in better housing), and the remaining 10,000 will probably be needed to replace delapidated housing.

These assumptions would lead to a net increase of 20,000 housing units in Denmark annually. Thus in 10 years we would have 2.2 million housing units as opposed to roughly 2 million today.



However housing types will be distributed in an entirely different way in only 10 years. According to the development projected by Bjarne Hastrup the number of individual homes (including farm homes and two-family houses) will rise from 1.1 million today to 1.3 million then. The number of apartments in social housing will remain unchanged at about 300,000. The number of condominiums will increase from about 100,000 today to about 300,000 in 1987 and the number of rental units in privately-owned buildings will decrease by a corresponding number so that the present figure of 500,000 will fall to around 300,000 in 1987.

The result would be that in 1987 we would have 400,000 more owned housing units and 200,000 fewer rental units. In 1987 there would also be 900,000 units in apartment buildings, with 100,000 of them being less than 10 years old (the replacements for the slum clearance programs of the next 10 years).

Bjarne Hastrup emphasized the fact that this "forecast" is based on a number of uncertainties but said that the tendency at least is quite obvious -- there will be more owned homes in Denmark and fewer rented ones. In Sweden and Norway developments are going in the opposite direction!

#### Higher Housing Costs

What will this development in the direction of home ownership mean for the political climate of Denmark? Will the mood of the people become more "egoistic" or "privet-hedge Fascistic?" Or will this development, on the contrary, lead to the dissolution of the old boundaries between owners and renters?

It is impossible to give a probable answer to these questions, so vital to the future of Denmark.

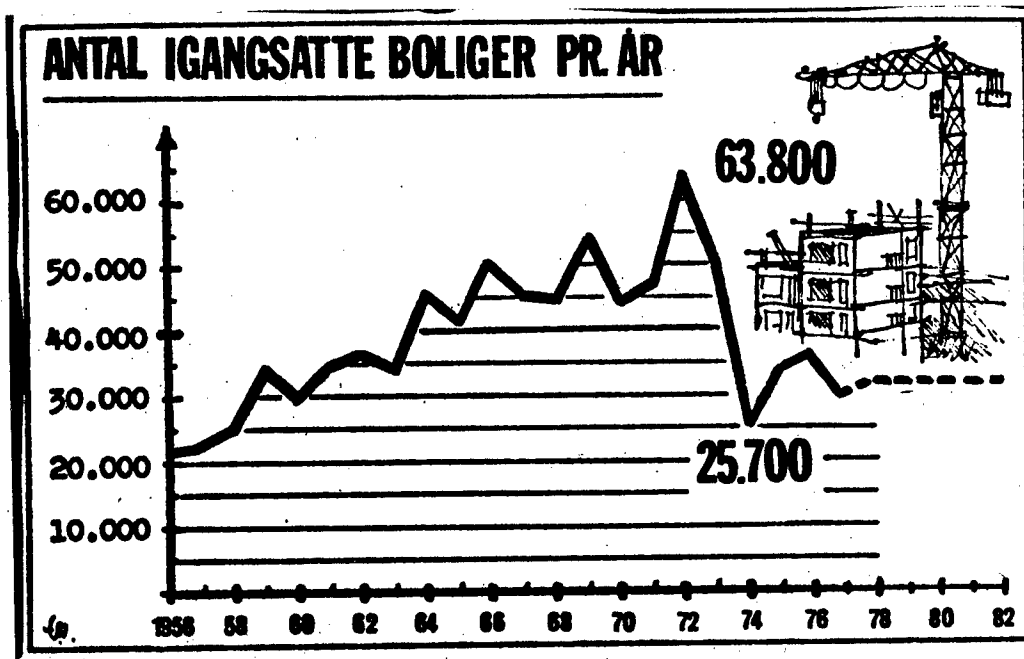
However it is clear that housing costs for the "Danish family" of the future will account for a rising share of total consumer expenditures.

It is also clear that in the future there will be a great need for repairs, insulation and modernization of older housing. Bjarne Hastrup of the Trades Council does not think it unlikely that there would be more people involved in repair work and modernization in the 1980's than in new construction! Trades Council economists believe that the increase in repair work could be so substantial that as early as the 1980's there could be a shortage of certain categories of skilled labor!

This, however, depends to a large extent on political decisions about the extent of slum clearance. The more buildings that are cleared, the less the need for repairs and modernization. Thus it is an open question whether total employment in the construction industry would benefit

from increased slum clearance (at the expense of repair and modernization work).

The graph shows how the number of housing starts rose during the 1950's and 1960's. Behind this development lay the housing construction lag of the war and postwar years. In step with the mounting construction, construction capacity increased and in 1972-73 when the development peaked the industry was capable of starting construction on between 50,000 and 60,000 new homes a year. Since then construction has leveled off at between 30,000 and 35,000 homes a year. Most economists believe that figure reflects the realistic need. When the construction crisis hit in 1974, Denmark was suddenly left with a building capacity that was much too big. The result was high unemployment in construction. From 1973 to 1976 total employment in the construction sector fell from 171,300 to 158,600 despite an increase in repair and maintenance jobs.



Number of Housing Starts Per Year

Despite great fluctuations in building tempo, home construction grew and grew from the middle of the 1950's to the beginning of the 1970's. In 1973-74 came the building crisis, cutting construction in half. Economists now feel the long-range need for new housing is around 30,000 a year. But there are still fears that construction tempo will fluctuate -- in line with market conditions.

The economic "experts" had predicted a building crisis as early as their May 1969 report. They pointed out that when we caught up with the housing lag of the 1940's and 1950's a cutback in building capacity would be necessary.

The question then is whether we should count on employment in the construction sector continuing to decline in the future.

The Trades Council economists don't think so. In the next 10 years they expect employment in the branch to remain generally unchanged. The importance of home building may continue to decline but as noted this is expected to be somewhat offset by a substantial upturn in repair and maintenance activities. Public construction will stagnate -- at least in the next few years -- and business construction is expected to require a slightly larger proportion of the labor force in the construction sector. Finally, exports of prefabricated houses and building elements will probably rise in the future.

Thus it should be possible to avoid further declines in the construction sector. But the Trades Council economists emphasize the point that construction is particularly sensitive to political decisions and altered financing conditions (especially interest rate changes).

#### De-stabilizing Sector

Other economists do not refute the opinions of the Trades Council experts but refer to another factor -- construction seems to be a de-stabilizing element in our economy. When market conditions are good, not only does building increase in the business sector but there is also a rise in the number of homes that are taken over for business purposes. This reduces the supply of housing. In addition, in prosperous times a larger proportion of young people want their own homes sooner, while the need for single-family homes generally rises during boom times. All this means a need for housing, which in turn means a much greater need for newly-built housing. Thus an economic upturn will be reinforced by conditions on the housing market. On the other hand, an economic decline will be intensified by reactions on the housing market.

[27 Jul 77 p 9 (I)]

[Text] What will the housekeeping budget of the "average Danish family" of the future look like? And what will stores and buying patterns be like in the Denmark of the future?

In the following chart the consumer expenditures of the average Dane are divided up into a number of major areas. As it shows, in 1950 we used over half of all our consumption money on food, beverages, tobacco and

clothing. Today only about a third of the household budget goes to these fundamental consumer expenditures. And everything suggests that this figure will be reduced even further.

Percentage	1950	Today	PP II on 1987 *	PP III on 2000 **
Food products	29	21	19	18
Alcohol, tobacco	10	10	9	9
Clothing, shoes	14	5	5	5
Housing	6	10	15	17
Fuel, electricity, gas, heat	4	3	2	2
Durable consumer goods	8	13	14	14
Car, maintenance	2	6	6	7
Other consumer goods	11	15	15	15
Mass transit, other services	14	13	12	10
Expenditures abroad	2	4	3	3
Total consumer expenditures	100	100	100	100

Household budget of the "Danish family" now and in the future.  
Major items of private consumption expressed in percentages,  
1950-2000. (\*Figures from PP II, Appendix I, p 114. \*\*Figures  
estimated by BERLINGSKE TIDENDE.)

#### Housing, Car Expenses Up

The consumer item that will rise most sharply is housing (rental). Today, on the average, 10 percent of all private consumption money goes for housing but this will have risen to 15 percent in only 10 years (according to PP II's alternative 2, which assumes a low building rate and a real annual increase of 1 1/2 percent in total private consumption.) The big jump in housing costs is connected with the fact that a growing number of people are buying their own home or investing in condominiums. Spending on the acquisition of private cars (and other individual means of transportation) and their maintenance will also increase rapidly. Most families today already own a car. Now the trend is going rapidly in the direction of having two cars per family. And quite in context with this development, spending on mass transit is expected to grow less than total consumer spending.

As far as can be determined the family of the future will use relatively more money on housing, cars and other durable goods, including hobby, leisure-time and vacation equipment. At the same time it will be increasingly common for both man and wife to have outside employment. We must anticipate a reduction of work time -- and part-time work will become more common, so there will be more leisure time. More and more people will acquire a vacation home -- and it will be more common for each family to have its own freezer.

## Big Single Purchases

All this has a bearing on consumption patterns and purchasing habits in the future. An entire branch of business -- wholesale and retail trade -- will change character as a result of this development.

The outside employment of women along with the increasing use of cars and freezers will mean that food buying in the future will increasingly occur during one big Saturday shopping trip, in other words people will shop for the entire week. The desire to save time will result in an increased assortment of prepared food, including dinners that merely have to be heated up. The freezer will come into its own. But the increase in leisure time will mean that "old-fashioned" food products that have to be prepared from scratch will by no means disappear. Gourmet food preparation will become a hobby. In other words, we can expect a proliferating supply of food products. The increase of leisure time will also lead to a continued need for specialty shops giving individual service. Thus the stores of the future won't all be gigantic supermarkets and department stores.

On the other hand, the increased job frequency will mean that daily purchases must be made quickly. This could mean a future trend in the direction of having more food products and the like delivered to the house every other month by refrigerated trucks that bring supplies directly from big central warehouses. All one would have to do is send in an order and the supplies would then come to the consumer.

## More Stores Will Close

How will this development affect the tradesmen?

The current tough competition in retail trade will probably become even tougher. Less of the total consumption budget will be spent on retail purchases. "Budget robbers" like rising housing costs and travel expenses will probably also affect retail trade.

Professor Bjarke Fog, Copenhagen Commercial College, said: "Stores will continue to close their doors for another 5 or 10 years. It is especially the small food stores -- the husband and wife operations -- that will die out."

Professor Bjarke Fog, who just revised the "retail trade forecast" of the mid-sixties this spring, does not believe that employment in retail trade will decline drastically in the future: "The big and most obvious steps toward rationalization of retail trade have already been taken. First and foremost, the self-service principle is already very widespread. But there is still room for 'mechanizations' in trade and a certain decline in employment must be anticipated."

### More Concentration

Today there are approximately 55,000 retail stores employing a total of 182,000 people. Both these figures will continue to decline. In the wholesale sector about 7000 firms employ about 130,000 people. Here too the number of firms is declining (and expected to continue to decline) but employment has increased during the 1970's! Professor Bjarke Fog had this to say about it: "The merchants have simply been more efficient than the industry (the producers) in solving a number of distribution problems."

The concentration into fewer and larger firms will continue but in retail trade the development is about to peak. In recent years the size of newly-opened supermarkets has been smaller on the average than those opened the year before. In addition, the so-called "mini-markets" have been very successful in recent years. Therefore we can expect more of these kinds of stores. The revised "retail trade forecast" paints this picture of the future: retail trade will be dominated by big stores, supplemented by many small ones. Some of these small stores will be specialty shops, others will be neighborhood stores.

### Shift in Balance of Power

Integration will also continue in retail trade but not at the same rapid pace as in the past. Thus Bjarke Fog mentioned the surprising fact that owners of supermarkets that have remained unaffiliated with purchasing societies or "voluntary chains" have obtained a growing share of the market in the 1970's.

However cooperation among individual links in the distribution chain will expand in the future, the revised retail trade forecast concluded. Professor Bjarke Fog did point out that there could well be a power shift in the future from industry to retail trade. "In France you can already find 'anonymous brands' on the shelves of some chain stores. Instead of selling brand-name products, for instance an enormous variety of detergents, they just sell 'detergent,' with no brand designation. I can well believe that the power balance of the past in this country, favoring industrial firms and their brands, might gradually shift in favor of retail trade."

### Branch Boundaries Blur

In another development, the blurring of distinctions between branches will continue. A growing number of stores will increase their assortment of goods. It will be harder and harder to tell the difference between a grocer and a butcher, as they say, because they will be selling each other's goods. Obviously this factor will lead to stiffer competition in the retail sector.

Supermarkets and department stores will be more common in the future. We can also expect foreign chains to move into the Danish market. Thus the German Aldi corporation currently has plans of setting up so-called "discount stores" in Denmark. However Danish chains have already tried this form of low-price, self-service store without success, so it is doubtful that Aldi will succeed here.

This development will probably mean that stores will gather in centers, leaving large areas of the countryside without stores. This may force the state to support small country stores. Otherwise the depopulation of many country districts will be hastened.

In retail trade as in industry, if wages continue to rise sharply, there will be more rationalization. And that would mean a more rapid decline in the number of jobs.

[28 Jul 77 p 8 (I)]

[Text] Since the middle of the 1960's the number of public employees has more than doubled. The 300,000 people who were occupied in 1965 with "the production of public services" made up 14 percent of the labor force at the time. The almost 700,000 people who produce public services today make up a good 27 percent of the labor force.

Around 1970 there were for the first time more people employed in the public sector than in the entire industrial sector. Today the production of public services is unquestionably the biggest job in the country....

#### Better Tools

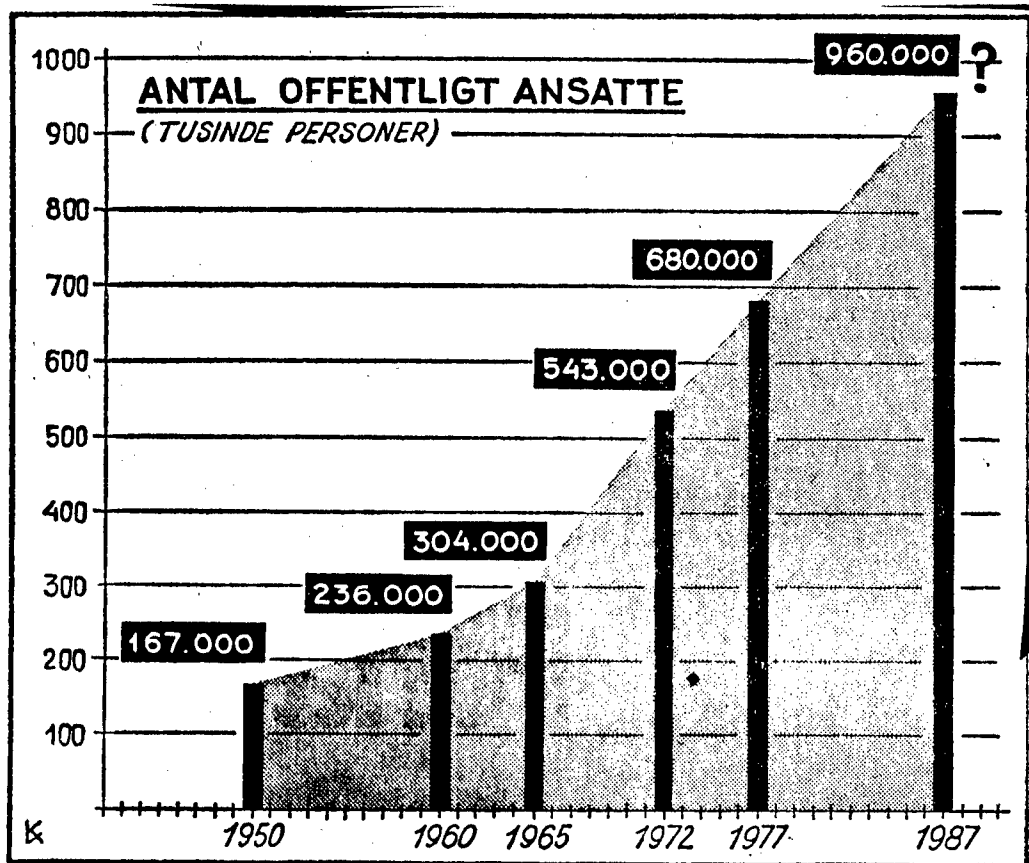
This development is not disturbing in itself. The disturbing element is that it has taken place without any form of guidance whatsoever. The public sector has "automatically" absorbed more labor, making it unavailable to other sectors.

Against this background, we should ask if the public sector will continue to expand automatically or whether it is possible for the politicians to guide and control this development.

Department head Erling Jorgensen of the Finance Ministry is optimistic: "We have better tools for guidance than we had in the past and this will be even more true when the new budget and accounting system really starts functioning. In addition, politicians now have a greater interest in the question of control and it is becoming more common to deal with problems in the public sector with regard to the total picture."

## PP II Prediction Fulfilled

Erling Jorgensen does not believe that the accelerating growth of public personnel shown in the latest personnel census will continue: "The growth has taken place in the social and educational systems of municipalities and is due partly to a cutback in overtime work for teachers and partly to the fact that it has been possible to fill previously unfilled positions because of the unemployment. This is presumably just a one-time effect."



Number of Public Employees (in thousands)

This is how employment in the public sector has risen since 1950. (Source: census figures and employment surveys made by the Danish Bureau of Statistics.) The 100,000 working for Danish Railways, the postal system and on public boards are not included here. Today, using the calculations of employment surveys, there are about 680,000 public employees, just as PP II predicted 4 years ago. Its 1987 projection also seems likely to be met.



Erling Jorgensen said further that all the information available today points in the direction of a continued weak growth in the number of public employees amounting to 2 or 3 percent a year. There is now much to suggest that Perspective Plan II's predictions on the increase of public employees up to 1987 will also be met!

So much for Erling Jorgensen. But what will it mean if the PP II predictions on the growth of public employment are met? It will mean a development from just under 700,000 public employees today to around 960,000 in 1987, as shown in the graph. While 27 percent of the Danish labor force is employed in the public sector today, that figure will be around 35 percent 10 years from now!

Since PP II came out, special census counts of public personnel have been made. These define the "public sector" somewhat differently than the employment surveys used as the basis for PP II's figures (and for our graph). According to the latest personnel count, as of 12 January 1977 there were 573,235 "full-time workers" in the public sector (with part-time workers being figured in terms of full-time jobs). If we ignore the division into full-time and part-time workers and count everyone on an equal basis the 573,325 "full-time people" would correspond to approximately 700,000 people.

#### Growth Continues

Department head Erling Jorgensen does not feel it will be possible to get the growth rate in public employment much lower than the prediction in PP II (graph): "We have come close to what can be accomplished in the way of low growth. If we are to carry out the activities outlined in Perspective Plan II, it won't be possible to check the growth of public jobs much more. It is hardly likely that the public sector will stop growing at any point before the year 2000. The same thing is true of the proportion of public employees in the labor force. The long-range tendency is definitely toward growth. More prosperity would automatically lead to an unusually high demand for the kind of services performed by state agencies today."

Plain speaking from the man who must be the Dane closest to the problems of "control" and development in the public sector.

#### Working Hours

Thus the development shown in the graph is no "Doomsday development." On the contrary, it is more like the slowest conceivable growth in the public sector....

But most people will probably find the projected increase in the number of public employees quite steep anyway. Why will it turn out like this?

There are several explanations. In the first place, every reduction in working hours means that more public employees must be used. Quite simply because the production of public services cannot be rationalized in the same way as production in the private sector. A reduction of just 1 hour in the work week means hiring 17-18,000 new state and municipal employees today if the level of service is to be maintained.

In the second place, the general rise in prosperity leads to a demand for better service and that can be met only by using more public employees. Here both public employees and their clients have a mutual interest in putting pressure on politicians to meet their demands. For example, the demand for two teachers in every classroom has already been aired. (That isn't surprising when the forecast is that in just 13 years there will be 80,000 fewer school children and 30,000 more public school teachers! In any case that is hardly an expression of any public "control.")

It is a fact that there are already so many public employees that they constitute a political power factor. Both parliamentary representative Bertel Harder and the late Professor Jorgen Dich in their books of 1973 and 1974 described the interests of concern to public employees. Public employees have a special interest in increasing their numbers so that public services can be improved. For the benefit of their clients -- one might claim -- and for the benefit of the employees.

We must be allowed to question whether the new "guidance tools" can deal with the problems.

[28 Jul 77 pp 1, 16 (I)]

[Text] The predictions of Perspective Plan II on the growth in the number of public employees have been surprisingly borne out. From 1972 to 1977 public employees (calculated in terms of full-time jobs) increased at the rate of about 3 1/2 percent a year, just as Perspective Plan II from 1973 had predicted.

BERLINGSKE TIDENDE obtained this information from the Budget Ministry's own planning consultant, Inge Thygesen, who has a doctor's degree in political science. Inge Thygesen also made it clear to us that it is very probable that PP II's predictions on growth in the public sector during the next 10 years will also come true. If that happens, there will be around 700,000 full-time state and municipal jobs compared to the current level of "only" 573,000.

Thanks to Crisis

When Perspective Plan II came out at the end of 1973, it created quite a public stir with its estimate of a growth in the number of public

employees of 375,000 people from 1972 to 1987. Today this forecast seems to be holding up. If the economic and political crisis in Denmark hadn't perceptibly slowed growth in the public sector, the predictions of the perspective plan would have been exceeded by a large margin. Now everything suggests that public personnel will "only" grow as much as predicted in PP II.

#### Somewhat Higher

Despite the sharp curtailment in the public sector, the actual increase in personnel from 1972 to 1977 was somewhat higher than that foreseen in the perspective plan. Planning consultant Inge Thygesen's economists in the Budget Ministry estimated that the actual growth in the 5-year period 1972-77 was exactly 3.8 percent annually on the average, while the perspective plan was operating with an annual growth of 3.4 percent. But Inge Thygesen told BERLINGSKE TIDENDE that the calculations are based on so many uncertain factors that one must conclude that the public sector has grown as predicted in Perspective Plan II.

#### Up to 700,000 in 1987

Inge Thygesen: "The indicators we have today for growth in the public sector suggest that Perspective Plan II's predictions on the number of public employees in 1987 will also be borne out. In the next few years it appears that we will have a growth rate of a couple of percentage points in the public sector. Beyond that it is impossible to say how things will go, but if state and municipal personnel continue to increase at the rate of about 2 percent annually there will be around 700,000 public employees in 1987 -- that is when the number of employees is adjusted to reflect full-time jobs."

#### Increase of 22 Percent

If that is true, there will be an expansion of 125,000 full-time jobs in the public sector over the next 10 years, corresponding to a growth rate of 22 percent. While public employees now make up 27-28 percent of the entire labor force, this figure will increase to more than 33 percent within 10 years if the labor force continues to grow at the rate of about 20,000 people a year and the public sector grows at the predicted rate of about 2 percent annually (corresponding to an increase of between 11,000 and 12,000 full-time jobs a year).

Inge Thygesen maintained that the current economic problems are not due to the growth of the public sector: "It is the lack of job opportunities in private business and the very large increase in the number of people entering the labor market that have created the problems."

	Number of public employees on:	
	April 1976	January 1977
State	183,285	183,693
Municipalities	303,297	313,895
Institutions with public support	48,544	51,438
Other areas of public sector	24,025	24,209
Total in public sector	559,151	573,235

#### Public Personnel Stated in Terms of Full-time Employment

This shows the distribution of public personnel into state, municipal, institutional, etc. employment according to the two latest personnel counts in the public sector.

#### Growth Increasing

The Budget Ministry calculations were made after a new personnel count for the public sector was issued by the Danish Bureau of Statistics on 27 June. This census which was taken on 12 January 1977 shows that growth in the public sector is on the way up again. In relation to the previous census of public employees taken on 7 April 1976 there was an increase of 14,000 full-time positions. This amounts to an increase of 2.5 percent in only 9 months. On an annual basis the growth in the public sector would be somewhat over 3 percent. From April 1975 to April 1976 personnel increased by only 2 percent.

In the table, BERLINGSKE TIDENDE shows the major results of the latest public employee count. Figures from the previous census are given for purposes of comparison. As it shows, the growth from 1976 to 1977 has been especially concentrated on municipal employment and employment by the private and independent institutions that receive public grants. Municipal personnel increased 3.5 percent in the 9-month period while institutional personnel increased by a good 6 percent. State personnel rose only 0.2 percent.

#### Fewer in Administration

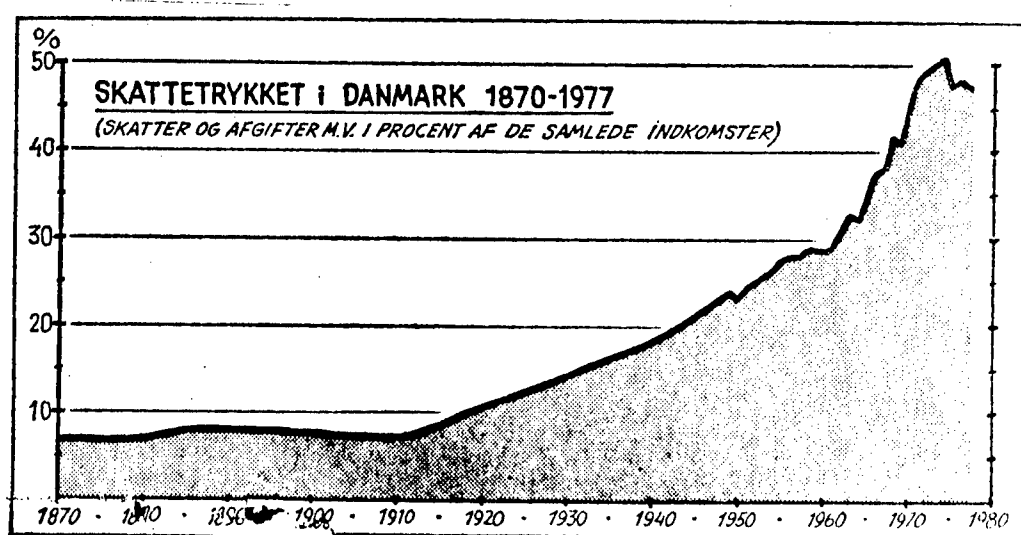
If personnel in the public sector are divided up according to job types, we find that growth from 1976 to 1977 has been concentrated in the educational and research area (6.3 percent) and in the social and health system (4.1 percent). Personnel in the police and court system declined by 0.6 percent and the number of personnel in state and municipal central administrations also declined a fraction.

According to the latest census only 32 percent of the public employees work for the state, while a good 55 percent work for municipal and county governments or for the metropolitan council. Institutions which have more than half their expenses covered by the state now employ 9 percent of all public employees, while "other areas" (the state church, Danish Radio, electric plants, telephone companies and municipal organizations and institutions) take care of the remaining 4 percent of the personnel.

The total of 573,235 full-time positions in the public sector are presently held by about 700,000 wage earners. A substantial number of public employees work part-time.

[29 Jul 77 p 7 (I)]

[Text] More and More in Taxes



Tax Burden in Denmark 1870-1977  
(Taxes and duties, etc. as percent of total income)

Public revenues expressed as a percentage of total income (the tax burden) rose sharply from 1965 to 1971. Since 1974, the tax pressure has eased a little but that is due to the fact that we have a massive public deficit. Tax pressures will continue to rise in the long-range perspective according to the experts.

One consequence of the growing public activity has been increasing tax pressure. The graph shows that taxes and duties have taken an increasing share of total income since 1910. It was anticipated that the public would protest when the tax burden went above 25 percent, but this did not happen (in the early 1950's). It wasn't until the beginning of the 1970's when the tax burden was fast approaching 50 percent that the "revolt" broke out.

Today, thanks to the enormous deficit in public budgets, we have a somewhat lighter tax burden but the public sector keeps on growing -- and that will lead to a higher tax burden in the future, say the experts....

#### Nine Reasons

The conditions that will cause the tax burden to continue to grow are by and large the same factors that cause public expenditures to rise. Here are the most important factors:

1. It is (almost) impossible to rationalize the production of public services. Greater public production means more public employees -- in contrast to the private economic sector where production per employee will constantly rise.
2. Some 75 percent of all public expenditures go for wages and income transfers (such as pensions) while only 25 percent of public spending is for goods and services from the private sector.

#### Wages Uncovered Expenses

These two factors alone mean an automatic increase in tax pressures. Wage increases and other increases in income in the private business sector are partially paid for by increasing the production per man (increased productivity) while a wage increase in the public sector means a corresponding increase in public spending. Or to put it another way, higher wages in private business are partly covered by increasing production per man but there is no similar production coverage for wage increases for public employees. The Finance Ministry dealt with this circumstance in its "Budget Report" of November 1972.

#### The No Cost Principle

3. A reduction of work hours cannot be "paid for" by higher productivity in the public sector but calls for more employees if production (the level of services) is to be maintained.
4. Growing prosperity will lead to a popular demand for more and better service from state agencies. This demand can only be met by increasing the number of public employees.

5. Public employees themselves will bring pressure to bear to get more colleagues hired so that their tasks can be performed better.

6. Most public services are free (financed through taxes). This means that there are few limits to the demands for services. If for example parents were required to pay what it really costs to keep their children in nursery school, the demand for nursery school space in public institutions would undoubtedly decline. In other words if the state would move more in the direction of a payment principle instead of its present no cost principle, not only would tax pressures decrease but the demand for more institutional places would also decrease. The "pressure" on the public sector would be reduced automatically.

#### Can Institutions Be Closed?

7. Once systems and institutions have been established they are hard to get rid of. Even though the number of children is on the way down, we can't count on a corresponding decline in the number of places in child-care institutions. What is likely to happen is that the "degree of coverage" will be increased. In other words, public services automatically increase because there are fewer clients per institutional space.

8. The population development toward the older end of the scale means that in the years ahead there will be a real need for more nursing-home beds, more home assistance programs, etc. So if there is no expansion in this area, the "degree of coverage" will decline and with it public services for the elderly. No one will accept that and therefore the public sector will expand in this area. In the long run this will inevitably mean higher taxes.

9. The current large deficit in public finances must at some time or another be covered by taxes. Deficit financing cannot go on forever. That will mean a one-time tax increase.

#### Tax Structure

The factors listed here help to "push" and "pull" public spending up, leading to a need for more money to finance expenditures. But shouldn't there be a limit to the tax burden?

At some point this has to be the case but if we are to believe department head Erling Jorgensen of the Finance Ministry, we haven't reached that limit yet: "If prosperity increases, people will also be able to take a higher tax burden," he said.

One of the things that determines how high the tax burden can become is the way the state acquires its money. Today more than 60 percent of

public revenue comes from direct taxes (primarily income taxes) with only a little more than 30 percent coming from the value-added tax and other tariffs. In the early 1960's most public revenue was obtained from tariffs. Thus there has been a shift toward relatively higher income taxes.

There is little doubt that the changed tax structure has lowered the "tax irritation threshold" of the people. The income tax has become overburdened.

#### Municipal Freedom of Action

Here the problem of control enters the picture again -- will the divided and irresolute parliament be able to change our tax system? Can they decide on a tax reform that would again raise the "tax irritation level?"

This doesn't seem likely today. So many partisan interests are involved in the tax issue that it would be hard to find agreement on sensible reforms -- and thus in the main we will keep the tax system we have now, even though everyone agrees it is unsuitable....

Former department head Erik Ib Schmidt says of control of public spending: "If we really check the growth of spending and establish firm controls, it will be at the cost of municipal freedom of action. For it is mainly in municipal social and health systems -- and in the institutional area -- that growth is now taking place."

Where these developments will lead no one can say for sure but the experts regard it as almost a foregone conclusion that the public sector and the tax burden will continue to grow.

[30 Jul 77 p 7 (I)]

#### [Text] Decline in Real Wages the Only Solution

The economic problems confronting Denmark today can be solved. Unemployment, the balance of payments deficit and inflation are not the results of an inexorable economic law. It is not inevitable that we must live out the rest of the century with these problems.

Economists and politicians know exactly what must be done to reduce unemployment, inflation and the balance of payments deficit -- first and foremost a marked reduction of real wages would decisively improve our competitive capacity and create the basis for increased exports and employment. If a policy can be implemented that in the short run reduces the living standard of the broad mass of the people, the unemployed minority can be



put to work again and the balance of payments deficit and foreign debts can become things of the past....

#### Narrow View

But can such an economic policy be carried out in practice here in Denmark? Is it possible in the Danish democracy to implement the necessary economic cure despite widespread distorted ideas of economic concepts -- and despite entrenched conflicts of interest among different social groups?

It is very unlikely. The narrow view of special interests interferes in practice with the policy that in the long run would benefit us all. Unless there is a sharp world economic upturn in the 1980's or 1990's "saving" Denmark from outside, the future of Denmark looks very bleak.

#### Demoralization

Lacking "salvation from abroad," frustration and demoralization will increase in Denmark. First and foremost the continued decline in the value of money (inflation) will create insecurity and unrest. The decline in the value of money will break down economic values and result in demoralizing behavior -- fewer people will save money and be cheated out of it by inflation, while a growing number will borrow money and live above their means because this produces big economic gains. Money will flow from bank accounts and bonds into real assets, mainly land and fixed property. This will only add to price increases and the devaluation of money.

On the labor market the constant price increases will produce a constant demand for higher wages and thus hurt competitiveness. The politicians will undoubtedly use a permanent income policy to try to check the demands and this will simply add to the unrest on the labor market.

As before, we will be unable to stick to the low German inflation rate and thus the future holds an inevitable devaluation of the Danish krone. This will intensify inflation and increase the frequency of more or less ineffectual intervention on the part of Christiansborg. And each time the politicians intervene and fail, contempt for "the system" will grow. Confidence in the value of money, in politicians, and in power reform will decline. The demand for "one strong man" could mount....

#### Struggle for Jobs

Without "salvation from abroad" unemployment will remain high -- and probably rise. About half a million people will be entering the job market in the next 23 years looking for work. At the same time, high wages will lead to increased mechanization of private production. Investment will be made in fewer jobs -- not more. Only the really efficient and skilled will get

jobs. The rest either won't get jobs at all or will obtain trivial jobs with no security about being able to keep on working in the long run.

The enormous supply of workers with an advanced education will start a "fledgling cuckoo war" on the labor market -- those with the best training will move into areas previously reserved for people with shorter periods of training. The strong and efficient will grab jobs away from the weak. Unrest and insecurity will predominate on the cold labor market of the future.

#### Trench War

This kind of pessimistic but unfortunately not unrealistic future would also produce more inequities in Denmark. Inequity between those with a safe job and those who are out of work or fear losing their jobs. Inequity between those with land and fixed property and the enormous debts that go with them and those who have no land or debts but just a little money in the bank. Inequity between those who by virtue of their more advanced schooling can understand the increasingly complex legislation and those who are unable to do so.

In such a society of mounting insecurity and distrust the different social groups will keep digging in further to their "defenses." Small home owners won't give up 5 ore of their privileges, tenants will likewise guard their housing and interest protection, businesses will fight savagely for their acquired subsidies and advantages and everyone will fight to retain precisely those rules in the current tax laws that benefit his own special interests.

#### Vicious Circle

In such a situation, would the politicians have the strength and the desire to get together on a needed change of subsidy and tax rules in the face of special interests? For example, can they ease the income tax so it doesn't increase wage drift and inflation and can they change the rules for unemployment compensation so that this too does not increase wage drift and the depreciation of money?

If a solid majority of the parties in parliament can't get together on a vitally needed joint reform policy that cuts through egoism and narrow-mindedness there will be less joy and wellbeing in Denmark in spite of increased leisure time and more consumer goods for the vast majority.

The worst part of this economic and political development is that it promotes bad human qualities such as distrust, self-sufficiency, waste and envy. Denmark is on the way into a vicious circle where inflation and unemployment demoralize the people and make it increasingly impossible to carry out an economic policy that can break this economic and mental slide.

## National Scandal

But as mentioned it can be done. It is most likely that there will be an economic upturn in the world during the 1980's that will save us from the worst problems. But we cannot totally exclude the possibility that we ourselves -- without an "external savior" -- could pursue a third- or fourth-choice policy that could prevent total popular frustration and national scandal. For if developments are as gloomy as outlined above it would be a national scandal. As one of the richest and most democratic countries in the world we should be able to show the rest of the world that we both can and will do it ourselves.

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